

**EVALUATING THE PERFORMANCE OF MUTUAL FUNDS: A CASE  
STUDY OF ANIDASO MUTUAL FUND**

By

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## DECLARATION

I hereby declare that this submission is my own work towards the award of Master of Business Administration (Accounting option) Degree and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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## **DEDICATION**

This work is dedicated to my father, Mr. Kofi Boahen, for his unwavering support in my educational pursuit (daddy I say God richly bless you), to my sweet mother, Mrs. Rose Boahen, loving husband, Kwame Baah-Boateng and lastly my adorable siblings, Annable and Nana Prempeh. I love you all!

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## **ABSTRACT**

Many investment companies are operating in the Ghanaian financial market, thus performance evaluation study is very essential and useful for prospective investors to make informed decision regarding their choice and selection of mutual fund. This study seeks to evaluate the performance of the Anidaso mutual fund of the New Generation Investment Services in the Kumasi metropolis. Specific objectives were to examine the funds administration method used by NGIS, to carry out a detailed assessment of the Anidaso mutual fund using trend analysis, evaluate the performance of the fund relative to GSE index and that of the 91days T-bill, and evaluate the performance of the fund relative to Data Bank's E-pack. Data for the study was collected to cover the period 2009 to 2013 on all the indicators, a trend analysis was done to assess the fund's performance while a composite measure comprising of Jensen's alpha, Treynor's index and Sharpe's index were also used to assess the fund's return on the risk aspect of the study. The researcher gathered from the study that the fund managers of Anidaso mutual fund use an administration method known as the advanced portfolio accounting system.

It was also found out that comparatively, the Anidaso mutual fund posted considerable higher returns than that of the GSE index for the years considered, thus four out of the five years. However, the Anidaso mutual fund did post slightly lower returns as against the 91 days t-bill rate and that of E-pack's return, thus showing higher returns in only two out of the five years considered.

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## **LIST OF ACRONYMS**

MF	Mutual Fund
SEC	Securities and Exchange Commission
GSE	Ghana Stock Exchange
BOG	Bank of Ghana
NGIS	New Generation Investment Services
AMF	Anidaso mutual fund

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 BACKGROUND OF THE STUDY**

Pool of savings of different investors who share a common financial goal is known as mutual fund. The pool of money is then invested in accordance with a specified objective. The joint ownership of the fund is thus “Mutual”. That is, the fund belongs to all investors. Money which is collected is invested in capital market instruments such as shares, debentures, and other securities. The investment income and the capital appreciations realized are shared by the unit holders in proportion to the number of units owned by them.

For the average man, mutual fund is a standout amongst the most advantageous ventures that offer chance to put resources into an expanded and professionally managed pool of securities at generally minimal effort. Mutual Fund is an investment vehicle which can make small investors to have entry to an all around diversified portfolio of equities, bonds and different securities. Each of the shareholders takes part in the gain or loss of the trust. Shares issued can be recovered as and when required. An energizing development in each individual's monetary life is the start of an individual interest in stocks, bonds and different securities (Marshall, McManus, Viele, 2002). A number of questions about one's capability to accept risk involved must be answered before an investment plan is put into action, it is appropriate for most people to consult a trusted financial advisor to help them, understand and answer those questions and to establish a sensible plan.

Mutual fund operators in Ghana have been very influential in the development of the capital markets. They provide advisory services; serve as placement agents and

brokers to private clients, government and other companies. Mutual Funds have been widely acclaimed as an effectual way for investing in the financial markets in low cost and low risk manner. Risk features in mutual funds can be silenced by diversifying the investment across different types of securities which is seen as a key strategic player in an individual's investment. Studies show that investment performance offer enough potential for capital growth and investment income. Investment decisions are done by portfolio managers on behalf of mutual fund unit holders. Mutual funds have been seen as a long term investment opportunity.

Many investments companies are operating in the Ghanaian financial market, thus performance evaluation study is very essential and useful for prospective investors and investors to make informed decision regarding their choice and selection of mutual fund. A research showed that the mutual fund industry is larger in countries with resilient rules and regulation; coupled with educated and wealthier population and a prevalent well-defined pension contribution plans (Khorana, et al., 2005). Recently, there has been an expansion trend of the mutual fund companies both in the smaller and bigger private sector. Mutual funds products in the Ghanaian capital market due to growth and developments have ascertained to be part of tools in creating meaningful investment growth in the capital market.

In this regard, it is very essential to closely monitor and evaluate mutual funds' performance.

A mutual fund offer investors the rewards of proficient management and portfolio diversification. Smaller investors have the flexibility to pool their assets with other investors, granting them access to opportunities that may otherwise be unavailable to them. (BlackRock Investments, 2010). The global increase in the Mutual fund

industry has made it very difficult for investors to choose funds according to their decision policy, the risk levels they are willing to take, and their profitability goals in addition to the selection thriving mutual fund (Pendaraki, et al., 2003). Furthermore, the choice of successful mutual funds is very tentative and very difficult in practice. In the United States of America presently, business publications, firms, and financial bodies dedicate and are highly committed in providing systematic rankings and ratings for mutual funds. Mutual fund study provides tremendous models of the application of contemporary numerical advances such as separating skill from luck when funds are ranked by performance. Any unusual gains to investors must offset any switching costs between funds which may include search costs, load fees and any advisory fees (Cuthbertson, et al., 2010).

Competent market theory upholds that active investment management is worthless. Any stakeholder is better exploiting a market index alternative by offsetting up a passive investment strategy .Conversely, one win the market by an active investment strategy. When related to several performance benchmarks that allow the necessary variation to cut organized risk, many questions are being raised; can mutual fund performance win the market? Do mutual funds offer a well-competent way for most investors to attain competitive earnings while escaping costly research and unreasonable transaction costs? ( Prince & Bacon, 2006).

From 1965, Treynor, Sharpe and Jensen were the first to assess fund performance in relation to risk and developed criteria to measure risk-adjusted returns. (Treynor, 1965; Sharpe, 1966; Jensen, 1967). A dominant difficulty in investment management has been that of assessing the performance of portfolios of risky investments. Jensen, (1967) posited that, “the concept of portfolio performance has at least two distinct

dimensions; the ability of the portfolio manager to increase returns on the portfolio through successful prediction of future security prices, and the ability of the portfolio manager to minimize, through efficient diversification the amount of insurable risk born by the holders of the portfolio". The fundamental issue experienced in assessing the performance of a portfolio in these two measurements has been the absence of a comprehensive knowledge about the nature and estimation of danger. Sign demonstrates a breadth of risk avoidance in the capital markets, and the lengths of investors properly watch the vulnerability of a few benefits which infers that risky asset must on average yield higher returns than less risky assets. Along these lines in assessing the performance of mutual fund the results of differential degrees of risk on the returns of those funds must be considered.

One investment medium appropriate for many people is an investment company or mutual fund (Marshal, McManus and Viele, 2002). Investments spread across a wide cross-section of industries and sectors would reduce the risk factor associated with mutual fund. By diversification, risk would be reduced due to the fact that, all stocks may not move in the same direction in the same proportion at the same time. Mutual funds issues units to the investors in accordance with the quantum of money invested by them. Investors of mutual funds are known as unit holders.

Different investors with common investment objectives pool their money and investors would get mutual fund units or shares for the sum contributed to the pool on a proportionate basis. The money that is collected is invested into shares, debentures and other securities. Fund managers would realize gains or losses, and collects dividend or interest income. The capital gain/loss from the investments would be passed on to the investors in proportion of the number of units or shares held by them.

## **1.1 STATEMENT OF THE PROBLEM**

There is no doubt that investment are made all because of good returns. This may be in the form of income, such as dividend and interest. An investor must be willing to bear some form of risk to achieve an expected return. Even relatively safe investment involve some form of risk, there is no completely safe investment. For both investors and companies in decision-making process risk plays a very important role so, it is imperative that the level of risk associated with investment be well quantified. The problem is that the investors are not able to quantify risk that will give them higher returns. Ideally, for a higher return, you need to take higher risk. But how much risk is an investor ready to accommodate in order to maximize profit on their investment? Inability of investors to quantify risk adversely affects their decision on investment. Besides, there are many asset management companies working in Ghana, so it is necessary to study the performance of them to give investors the opportunity to select the right investment scheme. Mutual funds, is gaining root as one of the most recent investment vehicles in Ghana's Capital Market yet it has still not been fully entrenched into the Ghana's investment culture. In addition to bearing risk, investors participate in efficient and competitive financial markets. Thus, since the GSE is a relatively new market, there is that likelihood of inefficiency coupled with inescapable risk associated with investments. This inefficiency and the risk of investments even in diversified portfolio such as mutual funds coupled with the inability of the regulatory authorities guarding against investors losses associated with investment risk like changes in the value of investment resulting from volatility in share prices is the focus of this study. It is therefore imperative that the investor exercises some form of restraint by spending time to understand the dynamics of the financial markets and also follow closely the operations of company in which the

investor holds shares. It is therefore important to assess the performance of NGIS Anidaso mutual fund as one providing optimal returns based on its set objectives.

## **1.2 OBJECTIVE OF THE STUDY**

The main objective of this study is evaluating the performance of the Anidaso mutual fund of the New Generation Investment Services in the Kumasi metropolis. The study seeks to:

1. To examine the funds administration method used by NGIS.
2. To carry out a detailed assessment of the Anidaso mutual fund using trend analysis.
3. Evaluate the performance of the fund relative to GSE index and that of the 91days T-bill.
4. To identify the major challenges faced by fund manager
5. Evaluate the performance of the fund relative to Data Bank's E-pack

## **1.3 RESEARCH QUESTIONS**

1. What administration methods are used by NGIS management?
2. What is the current state of the fund?
3. Are there any reasons why investors select this fund?
4. What are the major challenges faced by fund manager
5. How the objectives of the selected mutual fund are affecting investor's decision?

## **1.4 SIGNIFICANCE OF THE STUDY**

For individual investors, mutual funds are without doubt. The fact is that more people invest in any efficient and competitive financial market. The reason being that mutual fund offers not only a variety of interesting investment opportunity but also a wide

array of services that many investors find appealing. This appeal is evident in the increasing number of people associated with mutual fund investment in Ghana.

However, Anidaso mutual fund being the first mutual fund to be in Kumasi metropolis has been in existence over a decade yet it is not popular with majority of the populace only small portion of the few investors who are aware invest in the fund.

The study of AMF with regards to evaluating its performance comparative to GSE index and government 91-day Treasury bill would help investors to shape the way they pursue their investment goals.

Mutual fund in Ghana is an area of thoughtful concern to the government of Ghana, Ghana stock exchange, Securities and Exchange Commission and other stakeholders. The findings of this work will therefore be made available to the stakeholders so that they can come out with appropriate strategies to ensure that investment in mutual funds schemes become part of our daily lives. The study would also help to know and understand the interaction of the operations in the competitive market place and how best investors can win. It also provides the grounds for future research developments involve in this study. This information would be valuable to scholars and investors in shaping their investment strategies in an effective and efficient manner as the financial market competition becomes aggressive progressively. Though a number of studies are available in the mutual fund market, there is shortage of a comprehensive academic study on the performance evaluation and risk efficiency of the mutual fund schemes. Review of the available literature in the mutual fund sector reveals limited study on the performance evaluation of mutual funds in Ghana. In this regards, the study may fill the gap to a certain extent. Furthermore, as more and more people are knowledgeable to engage in the right kind of investment by allocating resources in

viable mutual fund venture, the economy would grow and this would help to reduce inflation rate and increase the economy's monetary value. It will comparatively show the performance of mutual fund schemes to assist in good investment decisions.

### **1.5 SCOPE AND LIMITATION OF THE STUDY**

The focus of this research was on the performance and risk associated with the Anidaso mutual fund established by NGIS from 2009 to 2013. The study was also aimed at identifying the benefits of the fund as well as its achievements. This research may also help in the strategic positioning as well as planning of the NGIS Company.

Although the researcher would have loved to conduct this investigation on a large scale, the study had to be limited to the Anidaso Mutual Fund of the New Generation Investment Services due to time, financial and logistics constraints. The outcome of the research was limited only to the data gathered from journals, articles, internet, books and archives of the New Generation Investment Services.

### **1.6 ORGANIZATION OF THE STUDY**

The report of the study is organized into five chapters. Chapter one, which is the introduction, focuses on the background of the study, statement of the problem, objectives of the study, research methodology, and significance of the study and organization of the study. Chapter two, deals with review of relevant and related literature. The third chapter of the study shall cover the methodology which discusses: the research design, target population, sample size and technique, data collection techniques, data analysis, model specification as well as validity and reliability of data. Chapter four deals with the presentation and analysis of the data collected. The final chapter which is chapter five contains the discussion, conclusion and recommendation of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

This chapter seeks to assess existing literature on mutual funds and also perform a review of the historical antecedents on mutual funds. Growth as well as financial performance of mutual funds has been carried out during the past, in the developed and developing countries by a number of studies on. “Collated reviews of the following research works reveal the wealth of contributions towards the performance evaluation of mutual fund, market timing and stock selection abilities of fundmanagers”.

#### **2.1. GENERAL OVERVIEW OF MUTUAL FUND**

Collective investment vehicle that pools money from investors to purchase securities that is professionally-managed is known as mutual fund. Collective investment vehicles that are regulated, which is available to the general public and open-ended in nature is termed as mutual fund while there is no legal definition . Again, an investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets is also termed as mutual fund. Mutual funds are operated by money managers, who invest the fund’s capital and attempt to produce capital gains and income for the fund’s investors. A mutual fund’s portfolio is structured and maintained to match the investment products and current prospectus. In the world of finance and investing, innovative investment products and current news of global financial and economic issues are also streaming live every minute from all

parts of the earth. There are a number of mutual funds and unit trusts running in the economy recently in Ghana. A number of articles and brief essays have been published in financial dailies, periodicals, professional and research journals, explaining the basic concept of Mutual Funds and outlined their relevance in the Indian capital market environment since 1986. Various aspects like regulation of Mutual Funds, Investor expectations, Investor protection, and growth of Mutual Funds and some on the performance and functioning of Mutual Funds were looked at. A few among them are Vidyashankar(1990), Sarkar (1991), Agarwal (1992), Sadhak (1991), Sharma C.Lall (1991), Samir K. Barua et al., (1991), Bamzai (2001), Atmaramani (1995), Atmaramani (1996), Subramanyam (1999), Krishnan (1999) , Ajay Srinivassan (1999). Rajan (1997) highlighted segmentation of investors on the basis of their characteristics .Again, investor's characteristics on the basis of their investment size Rajan (1997). Also, Rajan (1998) studied the relationship between stages in life cycle of the investors and their investment pattern.

## **2.2 EVOLUTION OF MUTUAL FUNDS**

Mutual fund got to be prevalent in 1980s and 90s when mutual fund hit record highs and investors saw mind boggling returns. Moreover, the thought of pooling resources for investment purposes has been around for long time. Here we take a gander at advancement of this speculation vehicle, from its starting in the Netherlands in the eighteenth century to its present status as a developing, universal industry with fund holding representing trillions of dollars in the United State alone. Student of history are dubious of the inception of investment funds; some refer to the closed- end investment organizations dispatched in the Netherlands in 1822 by King William I as the first mutual funds, while different focuses to Dutch dealer named Adriaan van Ketwich whose investment trust made in 1774 may have given the King the thought.

Ketwich most likely hypothesized that enhancement would expand the claim of investment to investors with insignificant capital. The name of Ketwich's store, Eendragt Maakt Magt, means “unity creates strength”.

The following wave of near mutual funds incorporated an investment fund dispatched in Switzerland in 1849, trailed by comparable vehicle made in Scotland in the 1880s. The thought of pooling assets and spreading risk using close-end investment soon flourished in Great Britain and France, making it route to the United State in the 1890s. The Boston Personal property Trust, framed in 1893, was the initially close-end fund in the U.S. the formation of the Alexander Fund in 1907 was a vital stride in the development toward what we know as the cutting edge mutual fund. The Alexander Fund included semi-yearly issues and permitted investors to make withdrawals on interest. The production of the Massachusetts Investors Trust in Boston, Massachusetts, proclaimed the landing of the cutting edge common fund in 1924. The fund opened up to the world in 1982, in the long run producing the shared reserve firm referred to today as MFS speculation administration. State road Investors trust was the mangers of the Massachusetts speculators Trust. Later, state road investors began it claim funds in 1924 with Richard Paine, Richard Saltonstall and Paul Cabot in charge. Saltonstall was likewise associated with Scudder, Stevens and Clark, an outfit that would dispatch the first mutualfund in 1928. An earth shattering year in the historical backdrop of the mutual fund, 1982 likewise saw the dispatch of the Wellington Fund, which was the mutual fund to incorporate stock and bonds, instead of direct merchant bank style of investment in business and exchange. Creation of Securities and Exchange Commission (SEC), the section of the securities Act of 1933 and the authorization of the securities trade Act of 1934 put set up shields to ensure investors; mutual funds were needed to enlist with the SEC and to give

disclosure in the form of prospectus. The investment company Act of 1940 set up an extra regulation that obliged more disclosure and tried to minimize conflict of interest. The mutual fund industry kept on growing. Toward the start of the 1950s, the quantity of open-end trusts bested 100.

In 1954, the monetary business defeated their 1929 peak, and the mutual fund industry started to develop vigorously, including somewhere in the range of 50 new funds throughout the decade. The 1960s saw the ascent of forceful growth funds, with more than 100 new funds build up and billions of dollars in new resource inflows. In 1971, William Focus and John McQuown of well Fargo Bank set up the first list index fund, an idea that John Bogle would use as an establishment on which to assemble the Vanguard Group, a mutual fund powerhouse famous for ease list stores. The 1970 likewise saw the ascent of the no-load fund. This better approach for working together had a huge effect in transit mutual fund were sol and would make a noteworthy commitment to the business achievement. With the 1980s and 90s came buyer market lunacy and already cloud fund managers got to be whizzes; Max Heine, Michael Price and Peter Lynch, the mutual fund industry's top gunslingers, got to be easily recognized names and cash filled the retail speculation industry at a dazzling pace. Regardless of the 2003 mutual fund scandals and the worldwide financial crisis of 2008-2009, the story of mutual fund is a long way from being done.

There has been a stupendous development in the mutual fund industry and as result it represents a lot of private areas reserve funds and net inflows of trading in risky financial resources. A report in the US demonstrated that the mutual fund held \$8.9 trillion total worth toward the end of 2005 financial year over an aggregate around 8500 trusts (invested company institute, 2006) in fact, the industry is as yet

developing. In US only there are more than 10,000 mutual funds, and if one records for all share classes of comparable funds, fund possessions are measured in the trillions of dollars. In spite of the dispatch of discrete records, trade exchanged funds and other contending product, the mutual fund industry stays solid and fund ownership keeps on growing.

An extensive and systematic study of 152 mutual funds conducted by Friend, et al., (1962) found that mutual fund schemes earned an average annual return of 12.4 percent, while their composite benchmark earned a return of 12.6 percent while negative 20 basis points were their alpha. The industry did not suggest an overall result of inefficiency. There was not a strong relationship of funds return by comparing turnover and expenses categorically. Issues relating to investment policy and portfolio turnover rate performance of mutual funds and its influence on the stock markets were analyzed by Irwin, Brown, FE (1965). They found out that mutual funds had a significant influence on the price movement in the stock market. Their outcome was that, averagely, funds would not perform better than the composite markets and there was no persistent relationship between portfolio turnover and fund performance. Characteristic line for relating expected rate of return of a fund to the rate of return of a suitable market average was used by Treynor (1965). By taking investment risk into account, he coined fund performance. Portfolio-possibility line was used to relate expected return to the portfolio owner's risk preference was used by Treynor to further deal with a portfolio. A measure of return and risk was developed by Sharpe, William F (1966). Again, 34 open-end mutual funds were evaluated for the period 1944-1963. Significantly, reward to variability ratio for each scheme was less than DJIA (Dow Jones Industrial Average) and was ranging from 0.43 to 0.78. There was inverse relationship with expense ratio with fund performance with correlation

coefficient of 0.0505. The results showed that good performance was associated with low expense ratio and not with the size. Risk measure showed consistency in sample schemes.

Performance of 57 fund managers in terms of their market timing abilities was evaluated by Treynor and Mazuy (1966) and found that, fund managers had not successfully outguessed the market. The results suggested that, investors were totally dependent on the up and downs in the market. Fund Managers' ability to identify under-priced industries and companies brings improvement in rates of return. Treynor's (1965) methodology for reviewing the performance of mutual funds was adopted by the study.

### **2.3 DIFFERENT TYPE OF FUNDS**

It is important to know that each mutual fund has distinctive risk and rewards. By and large, the higher the potential return, the higher the risk of loss. Albeit a few funds are less risky than others, all funds have some level of risk; it's never conceivable to broaden away all risk. This is a certainty for all projected investment. That is to say that every fund has a predetermined investment objective that tailors the fund's assets, inception of investments, and investment methods. At the principal level, there are three types of mutual funds: Equity funds, fixed income funds and Money market funds

### **2.4 MUTUAL FUNDS IN GHANA**

During President I.K Acheampong's regime in 1974, Ghana had no clear distinguishing features between that of a bank and an investment company. Bank of Ghana was in control of virtually all government assets both real and financial. There was therefore the need for an institution that will take care of all government

investment undertakings. Such an institution was to act as a custodian for government holdings or shares in other organizations since this responsibility was beyond that of central bank. The National Investment Bank (NIB) at that time, undertook the service of both depository and non-depository activities. Due to the absence of a stock exchange, NIB acted both as primary and secondary market for stock exchange. NIB was later tasked with the duty of establishing an investment company that conforms to international standards. One that will manage government investment portfolios, manage the register of Government institutions, hold in trust all government holdings in other organizations, render advisory services to government in terms of undertaking financial or investment projects and finally to act more or less like stock exchange (Ahiabla,2009).

NTHC limited (formerly known as National Trust Holding) was established in May, 1976 under the auspices of National Investment Bank limited and incorporated under the Ghana's company's code 1963(ACT 179).It was mainly established to act as a tool for creating stock exchange in Ghana and therefore began soon after its incorporation in 1979. It was authorized to operate as a National Mutual Fund in that same year. From 1979, NTHC acted as trustees, holding and managing government interest and equity in companies. Most of these companies are currently being diversified. NTHC transacted business with investors, individuals, government agencies, private and public companies, associations and institutions. After the establishment of Ghana Stock Exchange in 1990, the National Trust Holdings Company ceased to act as a stock exchange. It later became a company known as NTHC Limited operated as a normal investment company under the regulation of SEC, most of which were partially adopted from that of Europe and the United States (Ahiabla, 2009).Currently Ghana has over 22 mutual funds to its credit.

## **2.5 CLASSIFICATION OF MUTUAL FUNDS IN GHANA**

Jayadev (1998) classified mutual funds into four main categories. These are:

### **2.5.1 Money Market Funds**

According to Baumol et al (1990) these funds invest in short-term, that is less than one year maturity, corporate and government debt securities such as treasury bills, and corporate notes. Some money market funds specialize in or invest only in Treasury Bills or Government short term money instruments. Bhole (1991) emphasized that aiming for protection; money market funds are considered the safest place to invest money in mutual funds. They do not provide much potential for income or growth. Nevertheless, they do seek to generate a small amount of return by loaning money on a short-term basis, anywhere from a day up to a year. These are considered low- risk because they are short-term.

Fredman and Russ (1998) argued that money market funds are also typically the class of funds that earns the least for investors. Meaning these funds charge low interest rates for the loans, thus earning you small amounts on your investment. Markham (2000) further stated that money market funds try to maintain a consistent share price of \$1 by paying out all of the earnings to shareholders and by avoiding securities that can rise and fall in price (so there no capital gains to distribute). Unlike certificates of deposit (CDs), money market shares are liquid and redeemable at anytime.

Bogle (1994) identified the types of money market funds as follows:

- Taxable
- Government
- Municipal

### **2.5.2 Bond/income funds**

Baumol et al (1990) established that income funds are named appropriately: their purpose is to provide current income on a steady basis. When referring to mutual funds, the terms “fixed-income”, “bond”, and “income” are synonymous. These terms denote funds that invest primarily in government and corporate debt. Gardner et al (2000) revealed that while fund holdings may appreciate in value, the primary objective of these funds are to provide a steady cash flow to investors. As such, the audience for these funds consists of conservative investors and retirees. According to Gupta (1993) bond funds are likely to pay higher returns than certificates of deposit and money market investments, but bond funds are not without risk. Because there are many different types of bonds, bond funds can vary dramatically depending on where they invest. For instance, a fund specializing in high-yield junk bonds is much more risky than a fund that invests in government securities. Bhole (1991) accentuated that aiming for income, bond funds loan money to corporations and/or government agencies. So, in general, if you invest in a bond fund, you are loaning money in order to receive regular interest payments until the borrower has repaid the balance of the loan. Bond funds, therefore, are typically for earning a somewhat predictable amount of income. Dick (2000) further stated that in times of falling interest rates, however, a bond fund could increase in value, growing your money through capital appreciation, as stock funds are meant to do. The opposite is also true; in times of rising interest rates, the bonds in your fund may lose value and cause you to lose money, even while you’re earning income from interest. Arowolo (1971) documented that bond funds tend to be grouped according to kinds of bond in the fund. One can buy a fund that invests in:

- Corporate bonds: a corporation is the borrower

- Government bonds: the national government or its agency is the borrower
- Municipal bonds: a state or local government or its agency is the borrower.

Dick (2000) also affirmed that bond funds can be grouped according to the average length of the life of the bonds (their “average maturity”) in the fund:

- Short- term bond funds: bonds typically maturing in less than five years
- Intermediate bond funds: bonds typically maturing in five to ten years
- Long- term bond funds: bonds typically maturing in ten to thirty years

### **2.5.3 Growth or Equity Funds**

Haslem and John (1998) referred equity funds as funds which invest primarily in common shares (equities) of the local or foreign companies (if allowed), but may hold other assets as well. He further stated in his book that the goal of these funds is typically long-term growth through capital appreciation of the assets held. Some growth funds focus on large “blue-chip’ companies, while others invest in stocks represent the largest category of mutual funds. Generally, the investment objective of this class of funds is long-term capital growth with some income Performance of the stock markets.

However, Coates and Roberts (1978) argued that there are many different types of equity funds because there are many different types of equities. The idea is to classify Funds based on both the size of the companies invested in and the investment style of the manager.

### **2.5.4 Balance Fund**

According to Mckinnon (1973), the objective of these funds is to provide a balanced mixture of safety, income and capital appreciation. The strategy of balanced funds is

to invest in a combination of fixed income and equities. That is, these funds are invested in a 'balanced' portfolio of equities, long-term debt securities and money market instruments with the objective of providing reasonable returns with low to moderate risk. Damodaran (1994) confirmed that a typical balanced fund might have a weighting of 60% equity and 40% fixed income. A similar type is known as an asset allocation fund. Levine (2002) stated that its objectives are similar to those of balanced fund, but these kinds of funds typically do not have to hold a specified percentage of any asset class.

The portfolio manager is therefore given freedom to switch the ratio of asset classes as the economy moves through the business cycle. Balanced funds aim for the best of both stocks and bonds. Ghani and Ejaz (1992) indicated that these funds mix stocks and bonds to give you a mixture of growth potential and income potential, as well as a little more protection during periods of dropping prices. Because of the mix, balanced funds tend to offer a return on investment over the long-term somewhere between a growth stock fund and a traditional bond fund. The stocks are typically meant to provide price appreciation potential, while the bonds are meant to provide income and a measure of price stability. Dick (2000) in his book 'mutual fund wealth builder' further identified three other classes of mutual used in Tanzania and these include the following.

#### **2.5.5 Global and Foreign Funds**

Mckinnon (1973) indicated that these funds may be fixed income, growth, or balanced funds that invest in foreign securities. Global funds invest anywhere around the world, including your home country. Fredman (1998) argued that it's tough to classify these funds as either riskier or safer than domestic investments and they do tend to be more volatile and have unique country and/or political risks. But, on the flip side, they can

as part of a well-balanced portfolio, actually reduce risk by increasing diversification and exposure to foreign companies. Jayadev (1998) claimed that another economy somewhere is outperforming the economy of your home country. In addition to the normal risk of asset devaluation, international funds also face exchange rate risk.

### **2.5.6 Specialty Funds**

Bogle (1994) referred to specialty funds as those funds which invest primarily in a Specific geographical area (e.g. Africa) or in a specific industry (e.g. High-technology companies). As a result, specialty funds are subject to a certain risk-level related to the market in which it specializes. Types of risks specialty funds face include foreign exchange, political, geographical or sectoral (industry) risk. Becker and Vanghan (2001) stated that this type of mutual fund forgoes broad diversification to concentrate on a certain segment of the economy and further identified that sector funds are targeted at specific sectors of the economy and further identified that sector funds are targeted as specific sectors of the economy such as financial, technology, health, etc. Sector funds are extremely volatile. There is a greater possibility of big gains, but you have to accept that your sector may tank. Regional funds make it easier to focus on a specific area of the world. This may mean focusing on a region (say Ashanti region) or an individual country (for example, only Ghana). Graham and Dodd (1951) confirmed that an advantage of these funds is that they make it easier to buy stock in foreign countries, which is otherwise difficult and expensive. Just like for sector funds, you have to accept the high risk of loss, which occurs if the region goes into a bad recession. Jayadev (1998) added that specioally- responsible funds (or ethical funds) invest only in companies that meet the criteria of certain guidelines or beliefs. Most socially responsible funds don't invest in industries such as tobacco,

alcoholic beverages, weapons or nuclear power. The idea is to get a competitive performance while still maintaining a healthy conscience.

### **2.5.7 Index Funds**

Ralph (1999) defined index fund as those funds invested in a portfolio of securities selected to represent a specified target index or benchmark, such as the GSE all- share index and Databank stock index. The associated risk is directly related to the risk of the market that the index is measuring, such as the stock market. This type of mutual fund replicates the performance of a broad market index such as the S&P 500 or Dow Jones Industrial Average (DJIA). An investor in an index fund merely replicates the market return and benefits investors in the form of low fees. Fredman and Russ (1998) stated that since many stocks, index funds must periodically “rebalance” their holdings to more accurately track the index as stock prices (and market capitalizations) fluctuate. Dick (2000) also documents that index funds are low-cost mutual funds that seek to mirror the performance of the broader markets they represent. Years of investment research show that mutual fund managers who try to buy and sell individual companies based on their own research have a hard time outperforming the broader markets overtime. That’s why index funds are attractive.

## **2.6 BENEFITS OF MUTUAL FUNDS**

The following are some of advantages of investing in collective schemes.

### **Professional management**

Professional management of funds is one of the primary advantages in investing in mutual funds. This is because individuals may lack the requisite knowledge to manage their own investment portfolio. It is relatively cheaper for small investors to get full time manager to manage and monitor investments. The managers monitor

closely each investment under them to ensure that investors get higher returns on their funds.

### **Diversification**

An investment strategy that helps an investor not to put all his eggs in one basket is known as diversification. An investor is able to reduce risk by spreading investment across a wide range of companies and sectors thereby not getting affected if a company or sector fails. Most investors find it easier to achieve diversification by investing in mutual funds than through ownership of individual securities.

### **Economies of Scale**

The more products you buy, the cheaper that product becomes. This is also in the case of purchasing securities. When you buy one security at a time, the transaction fees will be comparatively higher and mutual funds are able to take advantage of their buying and selling size and this can reduce transaction cost for investors.

### **Divisibility**

Many investors may not have lump sums of money to buy round lots of securities. For instance C50,000.00 may not be enough to purchase a round lot of stock, especially after deducting commissions. Mutual funds can be bought in smaller denominations ranging from C50.00 to C50,000.00 minimums. Therefore, in order to wait until you have a lump sum of money before you can buy a higher cost investments, the can be done easily with mutual funds.

## **Liquidity**

It is easy to redeem shares of mutual fund by investors at the current net asset value plus any fees and charges on the redemption as and when the need arises.

## **2.7 CHALLENGES OF MUTUAL FUND**

### **Costs**

Annual fees, sale charges and other expenses are paid by investors regardless of how the fund is performing. Again depending on the timing of the investment investors may also have to pay taxes on any capital gains distribution they receive even if the fund started performing poorly after buying the shares.

### **Dilution**

When successful funds are getting too big it is termed as dilution. Fund managers often have trouble finding good investment for all new monies when monies are put into funds that have had strong success because the funds have small holdings in so many different companies therefore high returns from a few investments often don't make much difference on the overall fund return.

### **Taxes**

Fund managers do not consider the investors personal tax situation when making decisions about one's money. For instance, if fund managers sells a security, capital – gain tax is triggered, which affects how profitable the individual is from the sale and this can be more advantageous for the individual to defer the capital gains liability.

## **2.8 REVIEW OF SOME EMPIRICAL STUDIES ON MUTUAL FUND PERFORMANCE**

In one of the earliest investigations of mutual fund performance, Jensen (1968) infers a risk adjusted measure of portfolio execution (now known as "Jensen's Alpha") that gauges the amount of a manager's predicting capacity adds to the fund's return. The measure is in view of the hypothesis of the valuing of capital resources by Sharpe (1966), Lintner (1965a) and Treynor (1965). Jensen applies the measure to gauge the prescient capacity of 115 mutual fund managers in the period 1945-1964, i.e. their capacity to gain returns which are higher than those that would be normal given the level of risk of each of the portfolios. The proof on mutual fund performance demonstrates not just that the 115 mutual funds were by and large not ready to anticipate security costs all well enough to beat purchase the-market-and-hold strategy, additionally there was almost no confirmation that any individual fund had the capacity show improvement over that which was normal from minor irregular possibility".

Jensen's (1968) early chip away at mutual funds bolstered the idea of proficient markets. The productive business sector theory declares that money related markets are "instructively proficient", or that costs on traded resources, for example, stocks, securities or property as of now reflect all known data, and in a flash change to reflect new data. Subsequently, as per the hypothesis, it is difficult to reliably outflank the business sector by utilizing any data that the business definitely knows, with the exception of through good fortune. The finishes of Jensen (1968) confirmed the prior discoveries of Sharpe (1966) and Treynor (1965). This framed the premise for the general conclusion pervasive in the early writing that, professionally managed funds

don't beat a risk adjusted list portfolio, proposing that administrators don't seem to have private data. Be that as it may, in the mid 1990s, studies in the mutual funds industry started to deliver opposite results

In recent studies, Wermers (2000) studies a different method to perform a comprehensive analysis of the mutual fund industry. “He finds that funds hold stocks that outperform the market by 1.3 percent per year, but their net returns underperform by 1 percent. Of the 2.3 percent difference between these results, 0.7 percent is due to the underperformance of non-stock holdings, whereas 1.6 percent is due to expenses and transactions costs. Thus, fund managers pick stocks well enough to cover their costs. Again, high-turnover funds beat the Vanguard Index 500 fund on a net return basis. Their evidence supports the value of active mutual fund management”. The conclusions drawn by these researchers have led some people to conclude that professionally managed funds do beat a risk adjusted index portfolio added that managers do appear to possess private information.

Hendricks et al. (1993), Goetzmann and Ibbotson (1994) and Volkman and Wohar (1995) provide further evidence to support market efficiency by finding repeated winners among fund managers and positive performance persistence. However, the studies of Elton et al. (1993), Malkiel (1995) and Carhart (1997) reaffirm the original conclusion of Jensen (1968), Sharpe (1966) and Treynor (1965). In an attempt to eliminate survivorship bias, Carhart(1997) demonstrates that those common factors driving stock returns also explain persistence in mutual fund performance. Elton et al (1993) corrects for a benchmark error and takes issue with Ippolito's (1993) findings, while Malkiel (1995) considers both benchmark error and survivorship bias in concluding that the results of prior studies suggesting market inefficiency are sullied

by these variables. Albeit discovering some confirmation of execution amid the 1970s, Malkiel perceives that this not hold on in the 1980s. Diverse studies that address the survivorship issue incorporate Elton et al. Grinblatt and Titman (1994) and Brown et al (1992) with the general conclusion that the fund's returns utilized as a part of other may be exaggerated in this way making just the presence of execution perseverance.

Again unseemly benchmark particular is additionally referred to for creating slips in trust execution assessment as distinguished by Lehman and Modest (1987), Grinblatt and Titman(1989), Dellva et al. (2001)., Malkiel (1995), and Elton et al (1993) and Carhat (1997). Daniel et al. (1997) who examines into measuring the execution of mutual funds based upon benchmark inferred that when a methodology is proposed by the manager in light of crucial investigation, then he/she ought to expect the system will beat more straightforward. Mechanical nature of procedures can be executed at an expense which is significantly lower. Along these lines, if the active portfolio is not able to beat the performance of business sector than mechanical techniques that mean managers may be squandering their time. Shah and Hijazi (2005) who led an examination to assess the performance of mutual fund industry of Pakistan reasoned that the funds which beat as a rule confronts diversification issue. In the yearly report, the danger connected with the fund ought to likewise be expressed, so investors can contrast risk and expected returns before settling on speculation choice. Further, to improve the investors' enthusiasm to put resources into mutual funds can be made conceivable through the offer of new mutual funds which ought to be particular on the base of objectives. Bauer et al. (2015) directed an exploration on moral point of view of the mutual funds and verified that the funds which have exceptional growth are because of ethical run of mutual fund markets. From the above audit in this way, the

vast majority of the mutual fund writing spotlights on the disputable issue of fund performance in respect to that of the general business sector, while the related issue with respect to fund particular elements and performance has so far not been altogether tended to.

## **2.9 COMPOSITE PERFORMANCE MEASURE OF MUTUAL FUNDS**

A composite portfolio evaluation technique concerning risk-adjusted returns was developed by Jensen) 1968. The ability of 115 fund managers in selecting securities during the period 1945-66 was evaluated. The outcome of the analysis of net returns indicated that, 39 funds had above average returns, while 76 funds yielded abnormally poor returns. Also, using gross returns, 48 funds showed above average results and 67 funds below average results. Jensen concluded that, there was very little evidence that, funds were able to perform significantly better than expected as fund managers were not able to forecast securities price movements.

Methods to distinguish observed return due to the ability to pick up the best securities at a given level of risk from that of predictions of price movements in the market was developed by Fama (1972) .He introduced a multi period model allowing evaluation on a period-by- period and a cumulative basis. He concluded that, return on a portfolio consist of return for security selection and return for bearing risk. His contributions combined the concept from modern theories of portfolio selection and capital market equilibrium with more traditional concepts of good portfolio management.

Ranks of 180 funds between 1961-1965 and 1966-1970 were compared by Williamson (1972). Ranking of the two periods had no correlation. Most of the fund managers were identical with investment abilities. He outlined that, there was

growing prominence of volatility in the measurement of investment risk.<sup>40</sup> Funds quarterly returns during the period of 1966-1971 was analyzed based on investment performance by Klemosky (1973). He acknowledged that, by using mean absolute deviation and semi-standard deviation as risk surrogates compared to the composite measures derived from capital asset pricing model, biases in Sharpe, Treynor, and Jensen's measure can be removed. The existence of a positive relationship between objectives and risk was examined in 123 mutual funds by McDonald and John (1974). A positive relationship between risk and return was identified by the study. More aggressive funds experienced better results based on the relationship between objective and risk-adjusted performance.

From 1962-1971 Sharpe, Treynor and Jensen models were used to evaluate the performance of mutual fund industry by Gupta (1974). All the funds covered under the study outperformed the market ignoring the choice of market index. The results showed that, all the three models gave identical results. Return per unit of risk varied with up and down prices assumed and he decided that, funds with higher volatility showed superior performance. Klemosky (1977) carefully studied performance consistency of 158 fund managers for the 1968-1975.

The ranking of performance showed better and a true number of consistency between four-year periods and comparatively lower consistency between next to two-year periods. Ippolito's (1989) results and end results were clearly related and agreeing with/matching up with/working regularly with the explanation of efficiency of knowledgeable and investors. He guessed that risk-adjusted return for the mutual fund industry was greater than zero and attributed positive alpha before load charges and identified that fund performance was not related to expenses and turnover as said earlier by efficiency arguments.

Gupta Ramesh (1989) evaluated fund performance in India comparing the returns earned by schemes of almost the same risk and almost the same restrictions. A clear risk-return relationship was developed to make comparison across money with different risk levels. His study segregated return into return from investors risk, return from managers' risk and target risk. Varau (1991) evaluated the master share of UTI using the data from 1980 to 1980. Their conclusion was that the master share scheme outperformed the market in terms of net asset value and the master share scheme (MSS) gave large investors better than small investors.

The master share and can share of the two major growth oriental mutual fund scheme performance was evaluated by Obaidulla and Sridhar (1991). Their conclusion was that, both funds provided abnormal returns. Using market risk, the Master share outperformed. Gupta L C (1992) attempted a household survey of investors with the aim of outlying investors' preferences for mutual funds so as to assist policy makers and mutual funds in designing mutual fund product and in shaping the mutual fund industry. Lal C and Sharma (1992) realised that, the household sector's share in the Indian domestic savings rose from 73.6 percent in 1950-1951 to 83.6 percent in 1988-1989. Again, share of financial assets rose from 56 percent in 1970-1971 to over 60 percent in 1989-90 bringing out o tremendous impact on all the constituents of the financial market.

Uma (1993) discriminatingly surveyed the method of reasoning and significance of mutual fund operations in the Indian Money Markets. She called attention to that money market mutual fund with generally safe and low return offered moderate investors a solid venture street for short term investment. Ansari (1993) focused on the requirement for mutual funds to convey inventive and imaginative plans suitable

to the fluctuated needs of the small savers so as to wind up transcendent financial service establishments in the nation. Shukla and Singh (1994) endeavored to recognize whether portfolio manager's expert training conveyed to hold up under unrivaled execution. Results accumulated were that value shared stores overseen by professionally qualified fund managers were more risky however preferable differentiated over others. In spite of the fact that the execution varieties were not measurably noteworthy, the three professionally qualified store chiefs explored beat others. Again Rich Fortin and Stuart Michelson (1995) examined 1,326 load funds and 1,161 no load funds subsidizes and showed that, load funds had lower cost proportion as was suitable for a long time and burden trusts had higher cost proportion thus had 15 years of normal holding period. No load funds offered predominant results in nineteen out of twenty-four plans. They reasoned that, a mutual fund investor needed to stay put resources into specific fund for long stretches to recuperate the initial front-end charge and accomplish investment results like that of no-load fund. Conrad S Ciccotello and C Terry Grant's (1996) study recognized a negative connection between resource size of the fund and the expense proportion. The study uncovered that, bigger funds had lower expense data for trading decisions and were predictable with the hypothesis of data pricing.

## **2.10 COMPARING MUTUAL FUNDS PERFORMANCE**

Gupta and Sehgal (1997) assessed investment performance for the period 1992 to 1996. Parts of Mutual fund, for example, fund diversification, consistency of execution, consistency between risk measures, fund objectives and risk return connection in general were concentrated on. For the study 80 mutual fund schemes of private and public sector were taken. Out of 80 schemes, 54 were close-ended and the

26 were open-ended. Results demonstrated that income growth schemes were the best performers with mean week after week returns of .0087 against mean week after week returns from income growth schemes of .0021 and .0023 separately. Gupta and Sehgal (1998) assessed performance of 80 mutual fund scheme more than four years (1992-96). The study tried the recommendation identifying with fund diversification, consistency of performance, parameter of performance and risk- return relationship. The study distinguished the presence of inadequate portfolio diversification and consistency in performance among the specimen plans. Ronay and Kim (2016) have pointed out that there is no distinction in risk disposition between people of diverse sex, however between the groups, males demonstrate a more grounded slant to risk resistance. Sexual orientation contrast was found at an individual level, however in gatherings, males communicated a more grounded professional danger position than females.

Sapar, Narayan R. and, Madava R. (2003) directed an exploration on the performance assessment of mutual funds in a bear market. The period for study was between September, 1998 and April, 2002 (bear period). They began with a specimen of 269 open ended schemes (out of a sum of 433 plans) for registering relative performance index. After excluding the funds whose returns are not as much as risk free returns, 58 schemes were used for further investigation. The consequences of the performance measures recommends that the majority of the mutual fund schemes in the example of 58 had the capacity fulfil investor's desires by giving super returns over expected returns based for both premium for efficient risk and total risk. Rao, D. N. (2006) arranged 419 open-ended equity mutual fund and assessed financial performance of chose open-ended equity mutual fund schemes for the period first April 2005 to 31st March 2006 relating to the two overwhelming investment styles and tried the

speculation whether the distinction in execution was measurably critical or not. The variables decided for examining financial performance were month to month exacerbated mean return, risk per unit return and Sharpe proportion.

A correlation of the financial performance of the 21 open-ended Equity growth plans and 21 Open-ended Equity dividend plans was made in terms of chosen variables. The outcome showed that Growth plans created higher returns than that of Dividend plans yet at a higher risk. Further, 17 development plans produced higher returns than that of dividend plans offered by the same Asset management company (AMC) and one and only dividend plan could create higher returns than its comparing growth plan. On the other hand, growth plan, and the relating profit arrangement had the same returns. Out of the 21 growth plans, 4 growth plans had higher coefficient of vibration (risk per unit return) than the dividend plans and 31 dividend plans had higher coefficient of vibration (risk per unit return) than the comparing growth plan offered by the AMC. Three growth plan and three dividend plan had verging on equivalent risk per unit return. Correlation of the Sharpe proportions of development arrangements and the relating dividend plan demonstrated that 18 growth plans out of 21 (approximately 90%) would be better to risk adjusted high returns highlighting the way that growth plan are prone to remunerate the investors more for the additional risk they expected.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 INTRODUCTION**

This chapter builds on that background to set the analytical framework that is used in this study. The methodology covers the approach, the research methods, research design, data sources analysis and technique such as qualitative, quantitative and mixed methodologies, sources of data, sampling plan and method of analysis, model specification as well as reliability and validity of the data.

#### **3.1 RESEARCH DESIGN**

For a successful study, a descriptive research was employed. Descriptive research is a study designed to depict the participants in an accurate way. There are three ways a researcher can go about doing a descriptive research project. That is, observational, case study & survey. In order to get an in-depth study of the selected mutual fund a case study was employed which will help to gain insight as to how such practices and methods suit the selected company.

As regards this research, the conceptual design is that research problem and research questions inform the formulation of research objectives which guided literature review. Both qualitative and quantitative method was used. Data collected from units of analysis were analyzed and inferences drawn based on phenomena observed.

#### **3.2 RESEARCH POPULATION**

A broader set of cases from which a smaller unit (sample) is selected from is called a population. The target population constituted the entire mutual fund industry in

Ghana. The target population consisted of all 22 mutual funds in Ghana that are currently in existence.

### **3.3 SAMPLE SIZE AND TECHNIQUES**

The study population is that aggregation of element from which the sample is actually selected (Babbie 1989:170). Baker defines a sample as “a selected set of elements or units drawn from a larger whole of the element, i.e. the population. Due to the large number of organizations and businesses involved, a sample was drawn from the population for the study. One mutual fund namely Anidaso fund, was selected from the New Generation Investment Services Limited using convenience sampling due to availability of data

### **3.4 DATA COLLECTION**

Data sources can be divided into primary sources and secondary sources. Both primary and secondary data were employed for the study. Primary data were collected through a questionnaire answered by walk in clients/customers of New Generation Investment Services Limited through random sampling. Annual reports spanning the years 2009 to 2013 was downloaded from the company’s website with the prior approval of the management of the company for the intended purpose as a secondary data. However, management of the company was also interviewed to assess the fund administration method used.

### **3.5 DATA ANALYSIS**

**SPSS (statistical package for social sciences)** and **Excel** will be used in processing all data obtained for the study.

### **3.5.1 Trend Analysis**

The process of comparing business data over time to identify any consistency in results or trend is termed as trend analysis. Trend analysis is based on the premise that what happened in the past gives businesses an idea of what will happen in the future.

### **3.5.2 Risk Adjusted Methods of Analysis**

There are two essential concerns when assessing investment performance: risk and return. Even if the investor determines the returns that various funds have, these returns may not be comparable, because comparing absolute returns omits one of the crucial elements in investing: risk. Returns from funds with different objectives are not comparable. Returns on money market mutual funds are obviously not comparable to returns on small cap growth funds. Even returns on funds with the same objective, such as capital appreciation, may not be comparable if they are not equally risky. To compare returns, there is the need to standardize for differences in risk. After making the adjustment, then it could found out if the fund's management outperformed other funds or the market. There is the need to determine the risk-adjusted return in excess of the market return. If a portfolio manager's risk-adjusted return exceeds the market return, then the fund outperformed the market. Four techniques for the measurement of Mutual Fund performance that incorporates both risk and return are;

### **3.5.3 Risk**

Risk may be defined as the rate of uncertainty about the future. It is conceivable to maintain a strategic distance from the risk element when putting resources into mutual funds. The conviction of scholastics is that equity investors are compensated for assuming risk over the long term (Peterson et al, 2001). Beta and standard deviation

are regularly used when measuring the risk connected with any trust. Beta measures the degree to which returns on the stock and the business sector move together. It is a measure of the systematic risk of an organization or a portfolio where individual asset or portfolio is contrasted with the market. A higher beta than 1 infers that the individual or portfolio risk is higher than the business. (Bodie, Kane, Marcus, 2011).

$$\beta_i = \frac{COV(R_i, R_m)}{VAR(R_m)}$$

Where  $COV(R, R)$  = the covariance between the return of asset I and the market return

$VAR(R_m)$  = the market variance

$\beta_i$  = the estimated systematic risk of asset i

The standard deviation measures the risk of a fund fluctuation from the mean return, the average return of a fund over a period of time which includes both systematic and unsystematic risk. (Bodie, Kane, Marcus 2011)

$$\sigma = \sqrt{\frac{\sum[X - \bar{X}]^2}{n-1}}$$

Where:  $\sigma$  = lower case sigma 'standard deviation'

$\Sigma$  = capital sigma 'the sum of'

$X = \bar{x}$  the mean

Beta or standard deviation is used to measure risk based on an investor's assumption. Standard deviation will be more accurate measured if mutual fund represents the

entire investment of a person. Also, Beta is more preferable if a person has diversified portfolio especially if the investment is into mutual funds since mutual funds are invested in diversified portfolio and that implies that the portfolio is diversified and therefore not exposed to unsystematic but only systematic risk. (Bodie, Kane, Marcus, 2011). By plotting the portfolio return against the market return, mutual fund beta is obtained and the slope that will be found will be used as the beta for the mutual fund.

#### **3.5.4 The Jensen Performance Index**

The measure of performance that compares the actual return with the return that should have been earned for the amount of risk borne by the investor is the Jensen's alpha (or Jensen's performance index, ex-post alpha).

The security could be any asset, such as stocks, bonds, or derivatives. The market model is used to predict the theoretical model called the capital asset pricing model (CAPM). To be able to predict the appropriate risk adjusted return of an asset the market model uses statistical methods. For instance, beta is used as a multiplier for CAPM

In 1968, mutual fund managers were first evaluated using Michael Jensen's alpha. The CAPM return is supposed to be 'risk adjusted', which means it takes into account the relative riskiness of the asset. That is, the riskier assets will have the higher expected returns than the less risky assets. An asset is said to have a positive alpha or abnormal returns if the asset return is higher than the adjusted risk return. Investors therefore look for investments with high alpha. Calculating alpha for CAPM requires the following inputs:

- The realized return (on the portfolio)
- The market Return
- The risk free rate of return
- The beta of the portfolio

**Jensen's alpha = portfolio return – [risk free rate+ portfolio beta\* (market return –risk free rate)]**

Beta is the most appropriate index of total risk since a well diversified portfolio's risk is primarily its systematic risk. The Jensen Performance index would be an appropriate measure for large cap growth funds whose portfolios are well diversified. (Bodie, Kane, Marcus, 2011).

### **3.5.4 The Treynor Performance Index**

The Treynor index is a risk-adjusted measure of performance that standardizes the risk premium of a portfolio with the portfolio's systematic risk or beta coefficient. Treynor's index is computed as follows:

Treynor index= (portfolio return –risk free rate)/portfolio beta coefficient

$$T_i = \frac{R_p - R_f}{\beta}$$

Treynor index is useful when it is compared with the market, or with other portfolio to determine superior performance.. Thus Treynor performance index will be computed for the market to determine whether the portfolio manager outperformed the market.

### **3.5.5 The Sharpe Performance Index**

A risk-adjusted measure of performance that standardizes the return in excess of risk-free rate by the standard deviation of the portfolio's return. The Sharpe performance index (Si), is

$$S_i = \frac{r_p - r_f}{\sigma_p}$$

$r_p$  = portfolio return

$r_f$  = risk free rate

$\sigma_p$  = standard deviation of the portfolio

Sharpe uses standard deviation of returns as a measure of risk. Since the index uses standard deviation, it does not assume the portfolio is well diversified. The index standardizes the return in excess of the risk-free rate by the variability of the return. Variability compares one period's return with the portfolio's average return. The Sharpe index is more appropriate for well diversified portfolio.

### **3.5.6 Definition of Market Return (R<sub>m</sub>) and Risk free Return (R<sub>f</sub>)**

Mutual funds movement in relation to market is measured by beta. The market is defined by an index for risk adjusted returns for the selected fund, an appropriate index should be selected. For the purpose of this study, the Ghana Stock Exchange (GSE) all share index was chosen as the market return (R<sub>m</sub>) and Government 91- day Treasury bill rate as risk free rate of return (R<sub>f</sub>) .

### **3.6 RELIABILITY AND VALIDITY**

Validity of data explains whether the research is measuring what it claims to be measuring while reliability is chiefly concerned with making sure the method of data gathering leads to consistent results.

Data collected for the study was based on the premise of giving outcomes that matched up with the objectives of the study. Also the convenience sampling method used to solicit the data will produce consistent results if the same method is used by

any group of researchers, thus making the results of this study reliable. Again to ascertain the credibility of the findings different analysis were carried out, i.e. both trend and comparative analysis were carried out.

### **3.7 ETHICAL CONSIDERATION**

Ethical consideration was given much attention as far this study is concerned. The researcher had to give assurance to managers of the fund not to disclose any information gathered for the purpose of the study to their competitor, which was strictly adhered to.

### **3.8 ORGANIZATION PROFILE OF NEW GENERATION INVESTMENT SERVICES LIMITED (NGIS)**

New Generation Investment Services Limited is leading investment banking, securities and investment management firm in Ghana. It was founded in March 2004. The Company is licensed by the Securities and Exchange Commission (SEC) to offer investment advisory and fund management services. NGIS is also authorized by the regulator of pensions, the National Pensions Regulatory Authority (NPRA), to manage pensions. The company provides a wide range of services to a substantial and diversified client base that includes financial institutions, businesses, government and public corporations and individuals.

## **CHAPTER FOUR**

### **PRESENTATION OF DATA, ANALYSIS AND DISCUSSION**

#### **4.0 INTRODUCTION**

This section presents an analysis of the results obtained from the secondary and primary data.

The analysis was based on the following objectives: to examine the funds administration method used by NGIS, to carry out a detailed assessment of the Anidaso mutual fund using trend analysis, and finally to forecast the funds return for the next five years using the fund's net asset value.

#### **4.1 FUND ADMINISTRATION METHOD USED BY NGIS**

The researcher wanted to find out the fund administration method used by the New Generation Investment Services limited in the Kumasi Metropolis. The fund manager's termed this fund administration method as the Advanced Portfolio Accounting System. The following were enumerated by the fund managers:

- Calculation of the fund's net asset valuation on every day, month to month, quarterly, semiannual or yearly basis.
- Maintenance of investment portfolio including securities valuation.
- Calculating of management and performance fees.
- Profit allocation on series or shares equalization methods.
- Monitoring the investor register of the fund.
- Accepting investor subscription, transfer and redemption applications.
- Maintaining client bank accounts for receipt of subscription funds and payment of redemption proceeds.

- Issuing investor statements, confirmations, contract notes, call notices and investment manager's reports.
- Online access for investors and managers to view reports.
- Finally, providing reports to enable the preparations of the audited annual financial statement in accordance with IFRS.

From the above administration method employed by NGIS, it can be gathered that the company has design its fund's administration system to address the requirements of modern portfolio management. Again the system of fund administration practiced by the company is one which has given consideration to recording and reporting of complex financial investments for funds that deal in financial instruments. They have also exhibited high sense of professionalism as far as the accounting practice is concern by making known whatever transpires in their fund administrations to all stake holders.

## **DESCRIPTIVE STATISTICS**

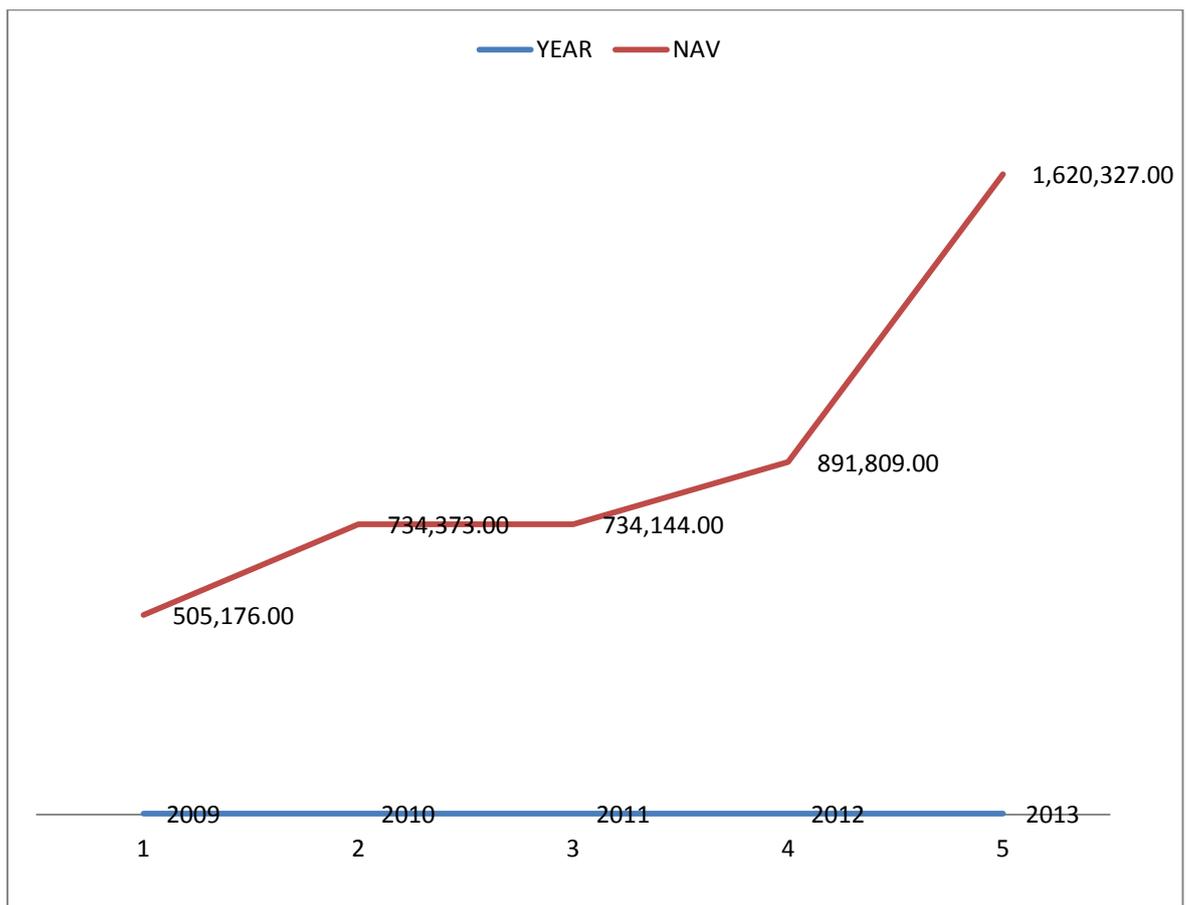
### **4.2 TREND ANALYSIS OF THE ANIDASO MUTUAL FUND**

The researcher sought to find out how the fund is faring over the last five years. The figure below depicts the true state of the Anidaso mutual fund over the last 5 years of operation.

#### **4.2.1 Net Asset Value (NAV)**

Net asset value is most commonly used in the context of open-end funds. Shares and interests in such funds are not traded between investors, but are issued by the fund to each new investor and redeemed by the fund when an investor withdraws. A fund will issue and redeem shares and interests at a price calculated by reference to the NAV of the fund, with the intention that new investors receive a fair proportion of the fund

and redeeming investors receive a fair proportion of the fund's value in cash. From the graph below, the net asset value for 2009 was GH ₵505,176.00 and it increased to GH ₵734,373.00 in 2010. Again, the net asset value dropped slightly in 2011 to GH ₵734,144.00 and improved slightly over the previous year to GH ₵891,809.00 in 2012 and increased at a higher margin to GH ₵1,620,327.00 in 2013. The trend depicted by the Anidaso mutual fund tells investors that investing in mutual funds is not a surety for positive returns.



**Figure 1 A line graph depicting the fund's trend from 2009-2013**

**Source: Annual report of Anidaso mutual fund**

#### **4.2.2 Comparing Rate of returns for AMF and the GSE between 2009 and 2013**

Since Anidaso is a balanced fund, the researcher again compared the performance of the Anidaso mutual fund to the GSE index to see how the fund fared. In 2009,

Anidaso had an annual yield returned of -19.52% as compared to GSE annual yield of -48%. However in 2010 Anidaso's annual yield increased to 33.17% and that of GSE was 32%. Again in 2011 funds yield together with the GSE composite index dropped drastically to -3.05% and -3.10% respectively. The fund performance increased to 23% as compared to 23.81% increased in GSE index in 2012.

One can say that the performance of Anidaso for the year 2013 was impressive witnessing an annualized yield of 81.86% thus 58.86% more than the previous year 2012. The reason being that the rate at which investors was able to maintain their funds were very high enabling fund managers to invest in relatively higher-dated instruments. But it had a comparative yield of GSE index to be 78.81%.

Table 1 below depicts the comparative rate of returns for AMF and GSE between 2009 and 2013

**Table 1: Comparing Rate of returns for AMF and the GSE between 2009 and 2013.**

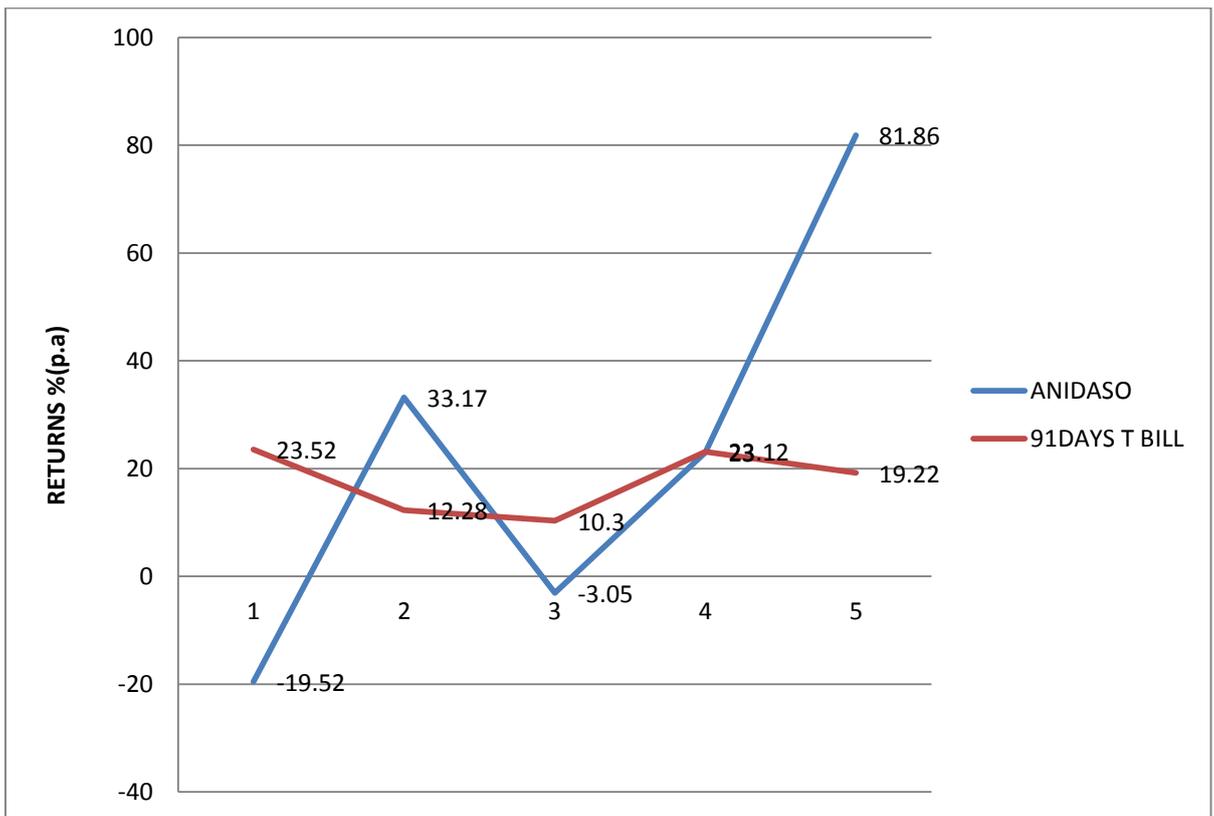
YEAR	ANIDASO M-FUND %	GSE INDEX %
2009	-19.52	-48.00
2010	33.17	32.00
2011	-3.05	-3.10
2012	23.00	23.81
2013	81.86	78.81

Source: Annual reports of the funds

#### **4.2.3 Comparative Yields on Anidaso Mutual fund & 91-day T-bill between 2009-2013**

The researcher also wanted to compare the fund's performance to that of the 91day T-bill rate. The following were observed, in 2009, the fund had an annual yield of -

19.52% compared to a better yield by 91-day Treasury bill of 23.52%. The fund's annual yield shoot up to 33.17% in 2010 with a comparable yield rate of 12.28% in 91 day T-Bill. However the fund yield fell to -3.05% in 2011 compared to 10.30% yield in T- bill. In 2012, Anidaso yield rose up to 23% against 23.12% yield of T-bill. Finally in 2013, the performance of Anidaso mutual fund was 81.86%, thus 62.64% higher than its comparative T-bill rate.



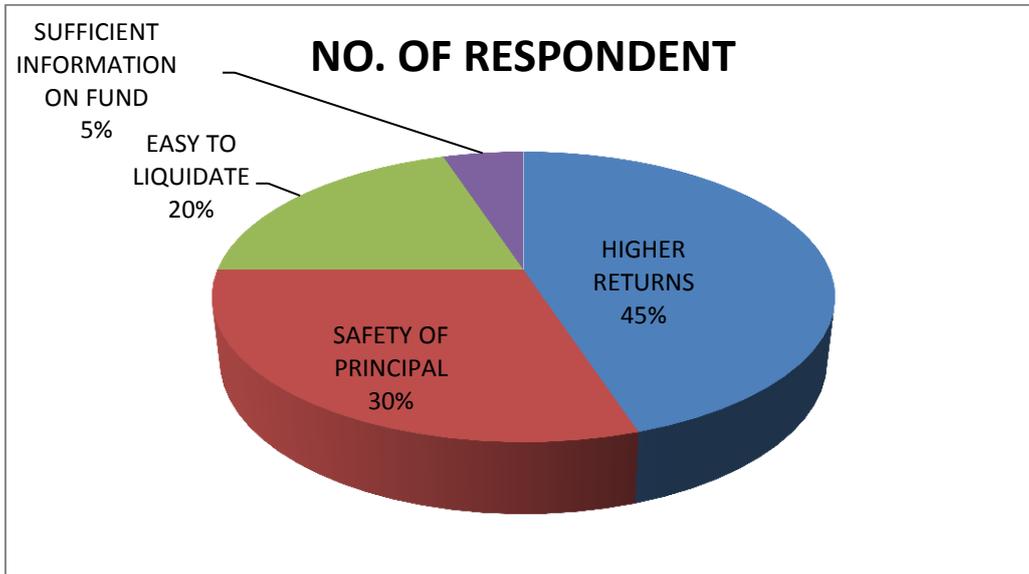
**Figure 2 Comparative yields on Anidaso mutual fund & 91-day T-bill between 2009-2013**

Source: Anidaso M-Fund 2014 Annual report And Accounts

### 4.3 Reasons for Investing in Mutual fund

L.C. Gupta (Gupta, 1991) noted that 75.6% of the household investors are not willing to invest in mutual fund unless there is a attractive return. Ippolito (1992) stated that investor is ready to invest in those fund or schemes which has resulted good rewards

and most investors is attracted by those funds or schemes that are performing better over the worst. The researcher wanted to find out the reasons why respondents invest in mutual funds. The Chart below depicts the results.



**Figure 3: Reasons for Investing in Mutual Fund**

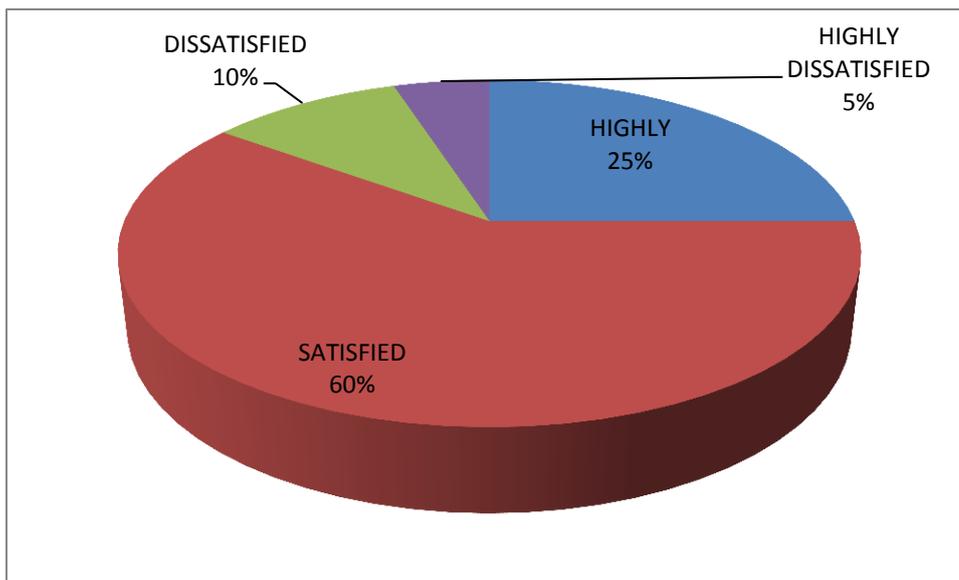
**Source:** Field Survey

From the figure above, 45% of the respondent were of the view that, they invest in mutual funds because they expect higher return from the fund, 30% indicated that the reason for investing in mutual fund is attributed to safety of their principal. Again, 20% said that they invest in mutual fund because it is easy to liquidate and 5% disclosed that sufficient information on mutual funds is the reason why they invest. These results indicate that most investors invest in mutual fund because they expect a higher return or safety of principal. The two reasons as revealed constitute 75% of the reasons why people invest in mutual funds.

#### **4.4 OVERALL EXPERIENCE WITH MUTUAL FUNDS**

The researcher again, sought answers from investors on how their experience in mutual funds has been.

From the findings, 60% of investors said they are satisfied with their overall experience in Mutual funds, 25% of the respondents declared that they are highly satisfied while 10% said they are dissatisfied and also 5% of the view that, they are highly dissatisfied with their overall experience. Majority are satisfied perhaps their expectations in terms of returns on the funds, were met. The few respondents who were dissatisfied and highly dissatisfied may be attributed to insufficient information or lower return on the fund.



**Figure 4: Overall Experience with Mutual Funds**

**Source:** Field Survey

#### **4.5 CHALLENGES FACED BY FUND MANAGERS**

An interview with the investment manager of NGIS revealed the following challengers faced by fund managers;

##### **4.5.1 High Cost**

It was revealed that the cost of doing business in Ghana is on upsurge. This has affected them in terms of branch expansion and the acquisition of equipment that will

improve the services they render to investors. NGIS has only one branch which is in Kumasi. Their inability to spread their branches across the country is partly due to the cost involved.

#### **4.5.2 Inadequate Knowledge on Investment**

It was also disclosed in the interviewed that, most Ghanaians lack the basic principles of investment. In that regards, some clients after few days of investment come out with different kind of excuses to either get part or full amount of the money invested before maturity.

This has adversely affected the growth of most mutual fund managers.

#### **4.5.3 Fluctuation in Share Price Movement.**

Even though, shares of mutual fund may be invested in diversified portfolios, in spite of being a diversified investment solution, mutual funds investment does not guarantee any return. If the market prices of major shares and bonds fall, then the value of mutual fund shares are sure to go down, no matter how diversified the mutual fund portfolio may be. The year 2012 for instance was unfavorable year for most of the funds due to the poor outlook of the macro-economic indicators for Ghana. This; the manager admit also affected stock prices adversely and the returns on the funds.

#### **4.6 FUND PERFORMANCE USING COMPOSITE MEASURE**

Data collected from secondary source will be analyzed through the use of Treynor's index, Sharpe index and Jensen index. The use of these indexes requires that, the Beta and the Standard deviation of the funds are known. Additionally, Market return, Portfolio return, and risk free return will also be specified.

The table below depicts the rate of return, market return and risk free rate of return for the various funds spanning between the years 2009 to 2013.

**Table 2: Rate of return vs. Risk adjusted return (Sharpe index)**

YEAR	AMF	GSE INDEX	91 DAY T-BILL	E-PACK
2009	-19.52	-48.00	23.52	-10.23
2010	33.17	32.00	12.28	33.36
2011	-3.05	-3.10	10.30	-12.21
2012	23.00	23.81	23.12	17.3
2013	81.86	78.81	19.22	83.94

Source: Annual Reports Of The Various Funds

The rates of returns for the Anidaso mutual fund were collected from the annual report of the NGIS, Ghana Stock Exchange (GSE) All-share indexes spanning for the period under study were used as the Market return whilst Government 91-day T-Bill rates was used as risk free rate of return.

#### **4.6.1 Standard Deviation of the Mutual Funds**

The standard deviation for the fund for the years under review was 38.90. Details of the computation is attached in appendixes. Standard deviation sheds light on historical volatility. Volatile portfolio will have a higher standard deviation than a less volatile portfolio.

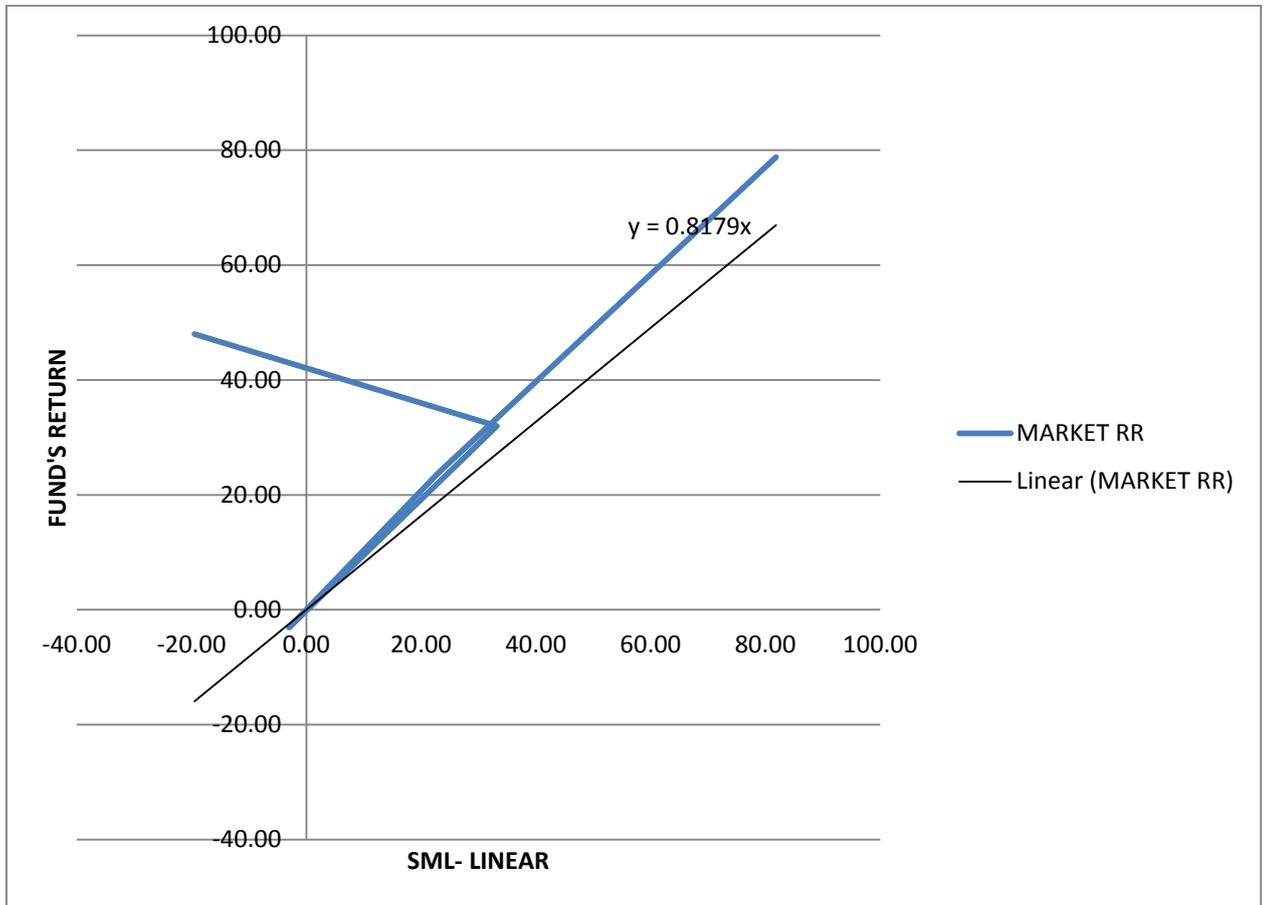
#### **4.6.2 Beta for the Anidaso Mutual fund**

The funds beta was computed from the security market line in the graph below. The beta for the fund was seen to be below the market benchmark of one (1); this means

that the fund is less sensitive or correlated to market movement. A detail of the beta is depicted on Security Market Line (SML) shown on the figures below.

#### 4.6.2.1. Beta for Anidaso Mutual Fund

From the graph, the slope of 0.82 depicts the beta for the mutual fund.

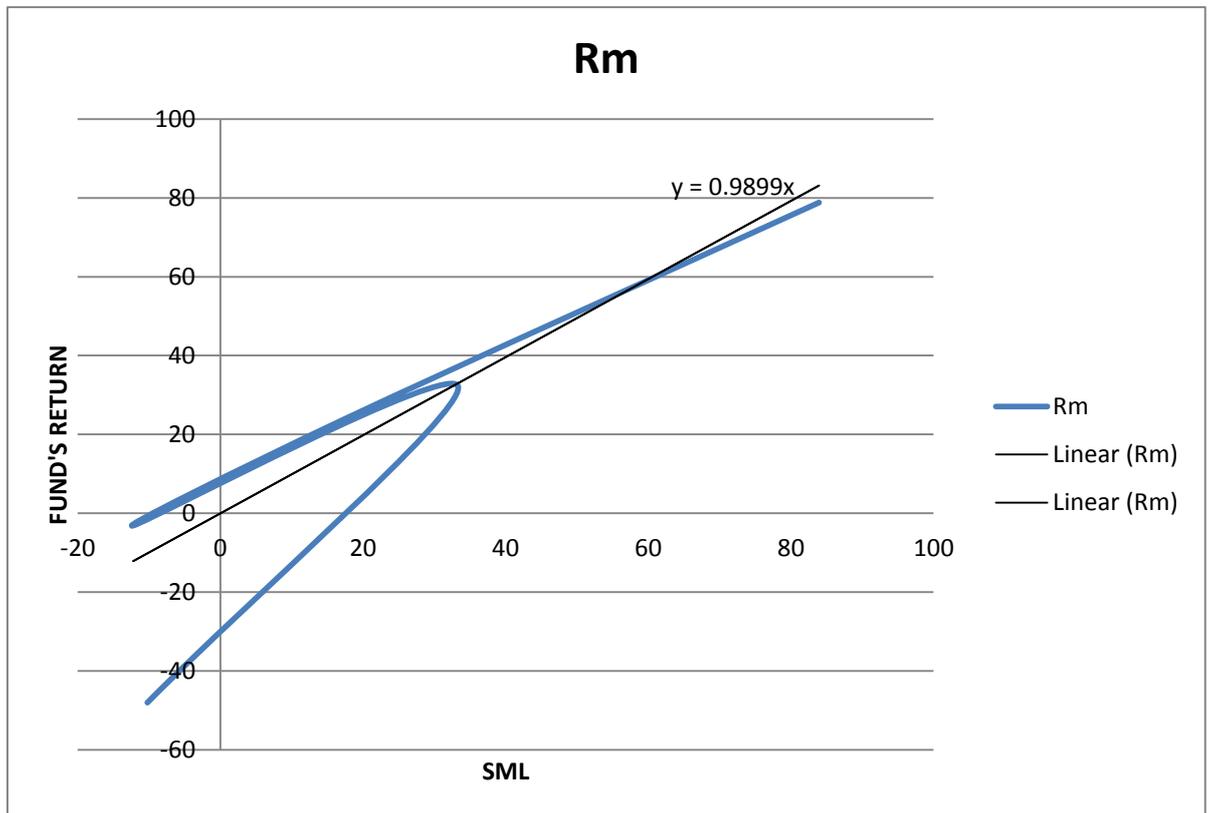


**Figure 5 Beta for the Anidaso Mutual fund**

**Source: Anidaso Mutual Fund Annual Report**

#### 4.6.2.2 Beta for E-pack

From the graph, the slope of 0.98 depicts the beta for E-PACK.



**Figure 6. Beta for E-pack**

**Source: E-pack Annual Report**

#### 4.6.3 Sharpe Index

A risk-adjusted measure of performance that standardizes the return in excess of the risk-free rate by the standard deviation of the portfolio's return. The Sharpe performance index (Si), is

$$S_i = \frac{r_p - r_f}{\sigma_p}$$

$r_p$  = portfolio return

$r_f$  = risk free rate

$\sigma_p$ = standard deviation of the portfolio

The risk adjusted return using Sharpe Index is computed as shown on the table below

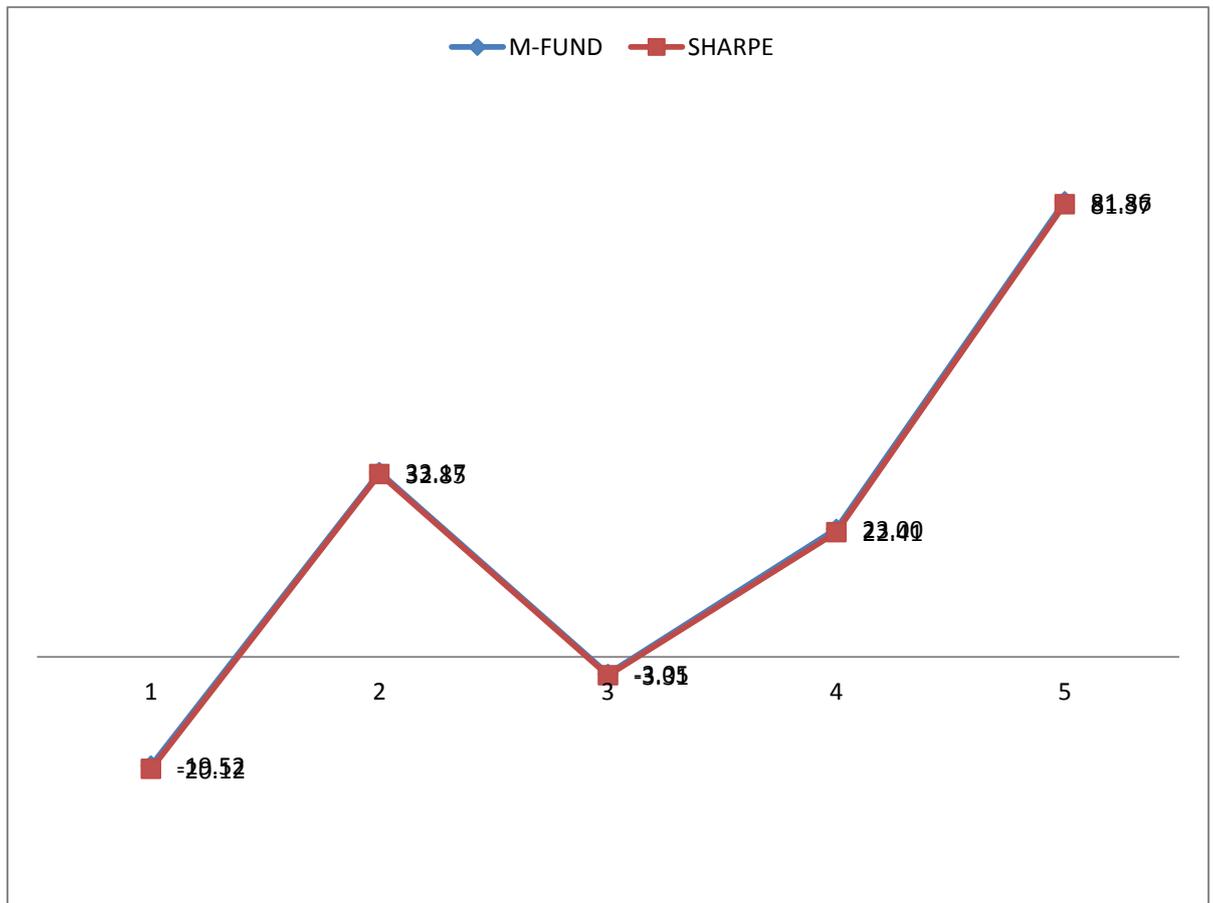
**Table 3: Rate of return vs. Risk adjusted return (Sharpe index)**

	2009	2010	2011	2012	2013
Risk Adjusted Return (Sharpe) (Anidaso)	-20.12	32.85	-3.81	22.40	81.37
Return (Anidaso)	-19.52	33.17	-3.05	23.00	81.86
Risk Adjusted Return (Sharpe) (Epack)	-10.85	33.03	-12.48	16.69	83.43
Return (Epack)	-10.23	33.36	-12.21	17.3	83.94

The Sharpe index is a measure of the mean return per unit of risk in an investment portfolio, thus the reward to variability. The higher the ratio, the better the performance of the mutual fund. Returns from the risk adjusted return (Sharpe) for all the years considered were below that of the Anidaso Mutual Fund, thus making the fund a better performer than that of that of the Sharpe's

From the table above, In the year 2009, Epack recorded higher Sharpe index of -10.85% than Anidaso that had a sharpe index of -20.12% . The year 2010 Epack again had a better sharpe index of 33.03% slightly higher than Anidaso's Sharpe index of 32.85%. Conversely in 2011 Anidaso had a higher sharpe index of -3.81 than Epack's sharpe index of -12.48%. In the year 2012, Anidaso had a higher sharpe index of 22.40% while Epack had a lesser index of 16.69%. The year 2013 Epack had a higher sharpe index of 83.43% better than Anidaso's sharpe index of 81.37%. On a

whole, epack had a better sharpe index than Anidaso mutual fund for the period under review.



**Figure 7 Comparative analysis of the Anidaso mutual fund’s return as against the Sharpe index**

#### 4.6.3.1 Treynor index

The Treynor index is a risk-adjusted measure of performance that standardizes the risk premium of a portfolio with the portfolio’s systematic risk or beta coefficient.

Treynor’s index is given by

Treynor index = (portfolio return - risk-free rate)/ portfolio beta coefficient

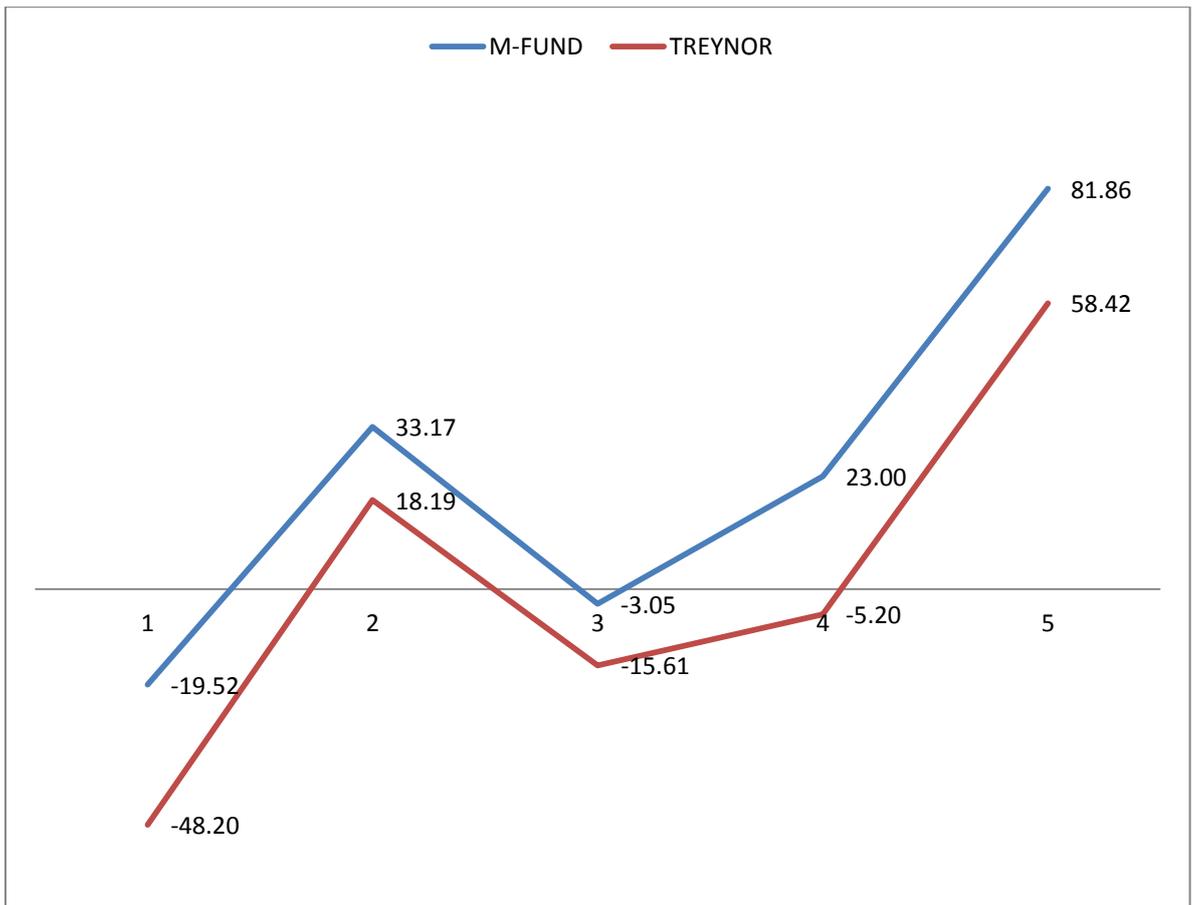
$$Ti = \frac{Rp - Rf}{B}$$

The risk adjusted return using Treynor Index is computed as shown on the table below

**Table 4: Rate of return vs. Risk adjusted return (Treynor index)**

	2009	2010	2011	2012	2013
Risk Adjusted Return (Treynor)	-48.20	18.19	-15.61	-5.20	58.42
Return	-19.52	33.17	-3.05	23.00	81.86
Risk Adjusted Return (Treynor) (Epack)	-34.23	20.82	-22.73	-6.29	64.32
Return (Epack)	-10.23	33.36	-12.21	17.3	83.94

The performances for both Anidaso and Epack was poor using Treynor index for the year 2009 even though Epack had an index of -34.23% higher than Anidaso with an index of -48.20%. Again the year 2010 was favourable for Epack with a higher Treynor index of 20.82% while Anidaso had an index of 18.19. Conversely in the year 2011, Anidaso had a higher Treynor index of -15.61 better than Epack's index of -22.73. Anidaso again in 2012 had a higher Treynor index of -5.20% better than Epack's index of -6.29%. However, in 2013 Epack had a higher Treynor index of 64.82% better than Anidaso's index of 58.42%. On average Epack performed better using the Treynor index than Anidaso for the period under review.



**Figure 8 Comparative analysis of the fund’s return as against the Treynor’s index**

**4.6.3.2. Jensen Index**

Jensen's alpha (or Jensen's Performance Index, ex-post alpha) is a measure of performance that compares the actual return with return that should have been earned for the amount of risk borne by the investor. Jensen alpha is given by the formula below;

$$\text{Jensen's alpha} = \text{Portfolio Return} - [\text{Risk free rate} + \text{portfolio Beta} * (\text{Market Return} - \text{Risk Free Rate})]$$

Results of Jensen's alpha for the Anidaso mutual fund and Epack is tabulated below

**Table 5: Rate of return vrs Risk adjusted return (Jensen index)**

	2009	2010	2011	2012	2013
Risk Adjusted Return (Jensen) (Anidaso)	-63.11	4.72	-2.36	-0.69	13.78
Return (Anidaso)	-19.52	33.17	-3.05	23.00	81.86
Risk Adjusted Return (Jensen) (Epack)	36.33	1.75	-9.38	-6.50	6.32
Return (Epack)	-10.23	33.36	-12.21	17.3	83.94

The year 2009 was unfavourable for Anidaso mutual funds since its Jensen index of -63.11% suggest a performance lesser than Epack that had a better Jensen index of 36.33%. Conversely, in the year 2010, Anidaso had a higher Jensen index of 4.72% better than Epack having Jensen index of 1.75%. In the year, 2011 Anidaso slightly performed better than Epack with their Jensen index of -2.36% and -9.38% respectively. Once again, the year, 2012 was favorable for Anidaso with a higher Jensen index of -0.69% higher than that of Epack with index -6.50%. Finally, in 2013, Anidaso had Jensen index of 13.78% while Epack had Jensen index of 6.32% lesser. Using the Jensen adjusted return, Anidaso performed better than Epack for the period under review.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 INTRODUCTION**

This chapter summarizes the key findings of the study, appropriate recommendations and conclusions.

#### **5.1 SUMMARY OF MAJOR FINDINGS**

Mutual fund investment schemes has been established that, Funds can be attractive and popular with the general public if only mutual fund companies play their roles efficiently by ensuring that, they impact positively on the lives of their clients and investors on the other hand change their attitude towards savings. (Jayader, 1998).

Talking about the fund administration method employed by the fund managers, it was observed that the fund managers had given much consideration to recording and reporting of complex financial investments for funds that deal in financial instruments like that of the Anidaso mutual fund. Again, per the fund administration method employed by the fund managers, the researcher is quick to say that the management of the fund has demonstrated a high sense of professionalism in their work as far as the accounting practice is concerned. NGIS again, makes the effort to inform its customers on the performance of their investment and the prevailing market trends through means such as the print media, online and printable tracts.

Another significant observation made by the researcher was the trend exhibited by the fund as compared to that of the GSE index. The trend show that, mutual fund had gained more stability for all those years which it performed well in terms of annual yields compared to the GSE index

with exception of 2011 and 2012 where the fund's annual yield fell as compared to the GSE index. This was as a result of the global economic recession that occurred between 2011 and 2012, which consequently had great impact on the performance of all investments. Again, a similar pattern was exhibited by the fund and that of the 91day T-bill; however the pattern suddenly changed in 2013 when the economy was receding from the global economic crisis, hence the performance of the fund and thus showing more stability compared to the 91 day T-bill.

In finding out reason why respondents invest in Mutual funds, the research found out of that out of the 120 respondents, 45% invest in mutual funds because they expect higher return from the selected mutual fund, 36 respondents representing 30% indicated that the reason for investing in mutual fund is attributed to safety of their principal. Again, 20% was of the view that, they invest in mutual fund because it is easy to liquidate while 5% disclosed that sufficient information on mutual funds is the reason why they invest. These results indicate that most investors invest in mutual fund because they expect a higher return or safety of principal. The two reasons as revealed constitute 75% of the reasons why people invest in mutual funds

However, respondents expressed discomfort with the high cost involved in investing or saving with mutual fund companies. In case a shareholder does not use the services of financial advisers, the investor has to pay a sales commission and investors are indirectly affected by the high tax imposed on the fund. The researcher found out that, even though the number of shareholders of the Anidaso mutual fund has increased consistently since its inception, it has not been recognized by greater number of the populace. It was realized that the unattractiveness of the funds to investors was due to the difficulty they encounter in evaluating funds in order to make the right investment decision and the cost involved in investing in mutual funds as well.

## **5.2 CONCLUSION**

The negative returns recorded by the fund in the year 2009 was partly due to major competition the fund was facing as it was just 5 years old in investment market hence making it highly volatile as compared to the 91 day T-bill. The study revealed that with time the fund began to gain more stability as the trend depicts in 2010 and 2013 giving the indication that the fund has good prospects.

Mutual fund as an integral part of the capital market plays an important role in the development of every country. Fund managers and other regulatory bodies like SEC, GSE and BOG have to work harder to boost investor's confidence in the industry by organizing seminars to educate the populace. Current trend in the Ghana Stock Exchange call for the diversification of investments to cover markets in other parts of the world. This is so because even though we have an increase number of companies trading on the Ghana Stock Exchange, it will be beneficial for fund managers of the Anidaso mutual fund to invest in the stock market of other countries. Having investments in other countries will ensure that the funds will have the benefit of a full year round delivery of attractive returns to investors.

## **5.3 RECOMMENDATIONS**

1. The study revealed that all investors of mutual funds are in for a common objective, which is getting good returns for the risk they have subjected their savings to. It is therefore recommended by the researcher that the fund managers of the Anidaso Mutual Fund work harder to generate good returns for their investors as a continuous decline in returns is more likely to compel investors to consider other alternative s of investments.

2. Fund managers should improve their advertisement on the electronic and print media to reach out to majority of Ghanaians to invest in mutual fund as majority of the public rely on these sources for their information.
3. With the high level of competition in the mutual fund industry, the researcher again recommends that managers of the fund will not renege on their level of professionalism so as to keep and maintain their customers.
4. The researcher also recommends that the Securities and Exchange Commission assist the public by coming out with performance rating of the investment companies to serves as a guide for investors in making their decisions.

#### **5.4 SUGGESTIONS FOR FURTHER RESEARCH**

Although a lot has been done by the study, however due to time constraint and limited resources, only the Anidaso mutual fund of the NGIS Limited was considered. It is therefore suggested that future research works will seek to address the performance of mutual funds that operate in Ghana and rank their performance as well.

Finally, the study established that on average the Anidaso mutual fund outperformed the GSE index while it underperformed slightly against that of the T-bill for the period reviewed of which the causes must be investigated in future.

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## APPENDICES

### Appendix 1: Questionnaires for investors of Mutual fund

Please this questionnaire is being presented to you for data to the researcher work on her MBA **Accounting** thesis. *Evaluating performance of mutual funds in Kumasi Metropolis: A case study of Anidaso Mutual Fund*'. Please the researcher reminds you that any information given is for academic purpose and would be treated confidentially.

1. Name (Optional):

**2. Age (Please tick):**

(a) Below 30 years (b) 30-40 years (c) 40-50 years (d) 50-60 years (d) Above 60 years

**3. Gender (Please Tick):**

(a) Male

(b) Female

**4. Which Mutual fund have you invested?**

- a) Epack
- b) M-fund
- c) B-fund
- d) C-fund

**5. Which of the following is your key reason for investing in Mutual funds (Please Tick)**

- a) Higher return
- b) Safety of principal
- c) Easy to liquidate
- d) Sufficient information on fund

**6. How do you collect information about the funds? (Please Tick)**

- (a) Print media
- (b) Electronic media
- (c) Friends and Relatives
- (d) Financial Advisors
- (e) Walk –in enquiry

**7. What is your overall experience with the selected mutual fund (Please Tick)**

- a) Highly satisfied
- b) Satisfied
- c) Dissatisfied
- d) Highly dissatisfied

## Appendix 2: Tables

Performance of Anidaso Mutual fund as compared to the GSE Index using annual returns

**Table 1: Comparing Rate of returns for AMF and the GSE between 2009 and 2013**

YEAR	ANIDASO M-FUND %	GSE INDEX %
2009	-19.52	-48.00
2010	33.17	32.00
2011	-3.05	-3.10
2012	23.00	23.81
2013	81.86	78.81

SOURCE: ANIDASO M-FUND 2014 ANNUAL REPORT AND ACCOUNTS

**Table 2: Comparing Rate of returns for AMF and 91-day t-bill between 2009 and 2013**

YEAR	ANIDASO M-FUND %	91 DAY T-BILL %
2009	-19.52	23.52
2010	33.17	12.28
2011	-3.05	10.30
2012	23.00	23.12
2013	81.86	19.22

SOURCE: ANIDASO M-FUND 2014 ANNUAL REPORT AND ACCOUNTS

**Table 3: Comparing Rate of returns for AMF, GSE and 91 days t-bill between 2009 and 2013**

YEAR	ANIDASO MF	GSE INDEX	91-DAYS T-BILL
2009	-19.52	-48.00	23.52
2010	33.17	32.00	12.28
2011	-3.05	-3.10	10.30
2012	23.00	23.81	23.12
2013	81.86	78.81	19.22

SOURCE: SOURCE: ANIDASO M-FUND 2014 ANNUAL REPORT AND ACCOUNTS

**Table 4: Rate of return vs. Risk adjusted return (Sharpe index)**

	2009	2010	2011	2012	2013
Risk Adjusted Return (Sharpe) (Anidaso)	-20.12	32.85	-3.81	22.40	81.37
Return (Anidaso)	-19.52	33.17	-3.05	23.00	81.86
Risk Adjusted Return (Sharpe) (Epack)	-10.85	33.03	-12.48	16.69	83.43
Return (Epack)	-10.23	33.36	-12.21	17.3	83.94

**Table 5: Rate of return vs. Risk adjusted return (Treynor index)**

	2009	2010	2011	2012	2013
Risk Adjusted Return (Treynor)	-48.20	18.19	-15.61	-5.20	58.42
Return	-19.52	33.17	-3.05	23.00	81.86
Risk Adjusted Return (Treynor) (Epack)	-34.23	20.82	-22.73	-6.29	64.32
Return (Epack)	-10.23	33.36	-12.21	17.3	83.94

**Table 6: Rate of return vs. Risk adjusted return (Jensen index)**

	2009	2010	2011	2012	2013
Risk Adjusted Return (Jensen) (Anidaso)	-63.11	4.72	-2.36	-0.69	13.78
Return (Anidaso)	-19.52	33.17	-3.05	23.00	81.86
Risk Adjusted Return (Jensen) (Epack)	36.33	1.75	-9.38	-6.50	6.32
Return (Epack)	-10.23	33.36	-12.21	17.3	83.94