

USING INTRINSIC PARAMETERS TO EVALUATE MUTUAL FUNDS

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[dx.doi.org/10.18374/JABE-14-1.16](https://doi.org/10.18374/JABE-14-1.16)

ABSTRACT

This study illustrates the use of data envelopment analysis to benchmark mutual funds on the basis of risk-adjusted performance, load, 12b-1 plan, and expense ratios. Using the DEA methodology, we calculate an efficiency score for 189 funds on a scale of 1 to 100 by maximizing twelve month total return and minimizing beta, standard deviation, load, 12b-1 charges, and expense ratios. This study benchmarks a mutual fund on the basis of risk-adjusted performance, load, 12b-1 plan, and expense ratio so that investor can select best performing funds on a broader basis rather than just the performance. Furthermore, the study shows the areas in which inefficient mutual funds are lagging behind and how they can improve their performance to bring them at par with other efficient mutual funds.

Keywords: *parameters, evaluation, mutual fund*