

A STUDY ON STRATEGIC ASSET ALLOCATION AND PORTFOLIO MANAGEMENT PRACTICES AMONG FUND MANAGERS

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Abstract:

This study examines the role of Strategic Asset Allocation (SAA) and Portfolio Management Practices (PMP) in influencing Fund Performance among fund managers. The research aims to evaluate the strategic allocation decisions adopted by fund managers and analyze their impact on overall fund performance. A structured questionnaire was used to collect primary data from 60 respondents. Reliability analysis confirmed acceptable internal consistency of the constructs. Multiple regression analysis was applied to test the hypotheses. The results indicate that Strategic Asset Allocation has a significant positive impact on Fund Performance, whereas Portfolio Management Practices do not show a statistically significant influence. The overall regression model was found to be significant, explaining 23.1% of the variance in fund performance. These findings suggest that asset allocation decisions play a crucial role in determining investment outcomes. The study contributes to investment management literature by highlighting the importance of long-term allocation strategies over routine portfolio practices. The findings may assist fund managers, investors, and financial institutions in making informed strategic decisions to enhance fund performance.

Keywords — Asset Allocation, Portfolio Management, Fund Performance, Investment and Fund Managers.

I. INTRODUCTION:

Investment management plays a significant role in financial markets by ensuring the efficient allocation of financial resources to achieve optimal returns. Among various investment strategies, Strategic Asset Allocation (SAA) is considered a key factor influencing long-term portfolio performance. SAA involves distributing investments across different asset classes such as equities, bonds, and other securities based on long-term objectives and risk tolerance. By maintaining an appropriate balance between risk and return, strategic asset allocation helps in achieving consistent and stable fund performance. Portfolio Management Practices (PMP) are another important component of investment management. These practices refer to the systematic process of selecting securities, monitoring portfolio performance, managing risks, and making necessary adjustments to meet financial goals. PMP includes diversification, risk assessment, performance

evaluation, and periodic rebalancing of the portfolio. While strategic asset allocation provides the overall direction for investment decisions, effective portfolio management ensures proper implementation and continuous monitoring of the investment strategy. Several financial studies suggest that asset allocation decisions contribute significantly to portfolio returns compared to individual security selection. However, the independent impact of portfolio management practices on fund performance remains a subject of discussion. In today's competitive financial environment, fund managers must adopt sound strategies to maximize returns while minimizing risks.

This study examines strategic asset allocation and portfolio management practices among fund managers and analyzes their impact on fund performance using regression analysis. The findings

provide empirical evidence on the importance of these factors in enhancing overall fund performance.

II. LITERATURE REVIEW:

The concept of portfolio management is strongly rooted in Modern Portfolio Theory introduced by Harry Markowitz (1952), who emphasized diversification and the importance of balancing risk and return. Later, William Sharpe (1964) developed the Capital Asset Pricing Model (CAPM), which explained the relationship between systematic risk and expected return. A landmark study by Brinson, Hood, and Beebower (1986) concluded that asset allocation decisions account for a major portion of portfolio performance variability. These findings highlight the importance of strategic asset allocation in determining long-term investment outcomes. Further research has emphasized that effective portfolio management practices, such as diversification, risk assessment, performance evaluation, and periodic rebalancing, contribute to maintaining stability and consistency in returns. Behavioral perspectives introduced by Daniel Kahneman also suggest that investment decisions may be influenced by psychological biases, which can affect fund performance.

Overall, previous studies support the view that strategic planning and structured portfolio management are essential for achieving sustainable investment performance.

III. OBJECTIVES OF THE STUDY:

- To examine the strategic asset allocation practices adopted by fund managers.
- To analyze the impact of portfolio management practices on fund performance.
- To evaluate the combined effect of strategic asset allocation and portfolio management practices on fund performance.

IV. HYPOTHESES OF THE STUDY:

The following null hypotheses are formulated based on the objectives of the study.

- Strategic Asset Allocation (SA) does not influence Fund Performance
- Portfolio Management Practices (PM) do not influence Fund Performance

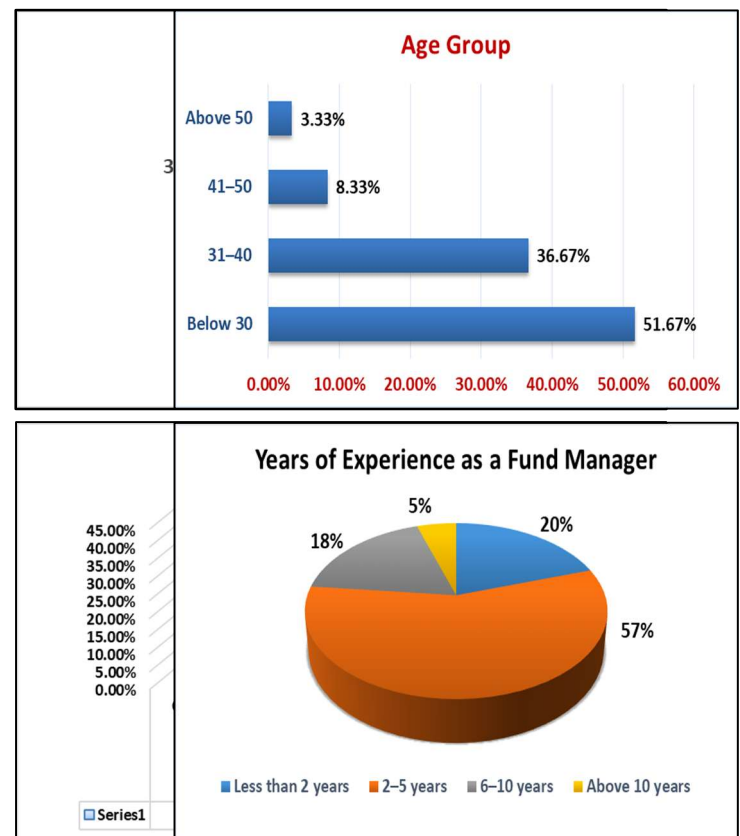
- Strategic Asset Allocation and Portfolio Management Practices do not influence Fund Performance

V. RESEARCH METHODOLOGY:

The study adopts a descriptive and analytical research design to examine the relationship between strategic asset allocation, portfolio management practices, and fund performance. A sample of 60 respondents was selected using the convenience sampling method. Primary data were collected through a structured questionnaire designed to measure the key variables of the study. For data analysis, statistical tools such as Reliability Analysis, Normality Test, and Multiple Regression Analysis were applied using SPSS software to test the hypotheses and determine the significance of the relationships among the variables.

VI. Data Analysis and Interpretation

6.1 Demographic Profile



Interpretation:

1. The majority of respondents (61.67%) are male, while 38.33% are female, indicating higher male representation in fund management.
2. Most respondents (51.67%) are below 30 years of age, followed by 36.67% in the 31–40 years category, showing that the sample mainly consists of young professionals.
3. A significant proportion (45%) of respondents hold postgraduate degrees, and 15% possess professional certifications such as CFA, CA, or MBA (Finance), indicating strong educational qualifications among fund managers.
4. The majority (57%) have 2–5 years of experience, suggesting that most respondents are in the early to mid-stage of their careers.

6.2 Inferential Statistics

The reliability analysis indicates that all three variables Strategic Asset Allocation ($\alpha = 0.751$), Portfolio Management Practices ($\alpha = 0.854$), and Fund Performance ($\alpha = 0.776$) have Cronbach's Alpha values above 0.70, confirming good internal consistency and reliability.

The Shapiro–Wilk test results indicate that Fund Performance ($p = 0.085$), Strategic Asset Allocation ($p = 0.270$), and Portfolio Management Practices ($p = 0.124$) all have p-values greater than 0.05, confirming that the data are normally distributed and the assumption of normality is satisfied.

Table No. 01: Model Summary

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.480 ^a	.231	.204	.71521	1.356
a. Predictors: (Constant), Portfolio Management Practices, Strategic Asset Allocation					
b. Dependent Variable: Fund Performance					

Interpretation: The regression model explains 23.1% of the variance in Fund Performance ($R^2 = 0.231$), indicating a moderate relationship between the variables. The Durbin–Watson value of 1.356 suggests no serious autocorrelation issue in the model.

Table No. 02: ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.749	2	4.374	8.552	.001 ^b
	Residual	29.157	57	.512		
	Total	37.906	59			
a. Dependent Variable: Fund Performance						
b. Predictors: (Constant), Portfolio Management Practices, Strategic Asset Allocation						

Interpretation: The ANOVA results show that the regression model is statistically significant ($F = 8.552$, $p = 0.001$). Therefore, Portfolio Management Practices and Strategic Asset Allocation significantly influence Fund Performance.

Table No. 03: Coefficients

Coefficients ^a							
Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance VIF
1	(Constant)	1.129	.510		2.214	.031	
	Strategic_Asset_Allocation	.533	.132	.469	4.032	.000	.999 1.001
	Portfolio_Management_Practices	.089	.116	.089	.765	.447	.999 1.001
a. Dependent Variable: Fund Performance							

Interpretation: The regression results show that Strategic Asset Allocation has a positive and statistically significant impact on Fund Performance ($B = 0.533$, $\beta = 0.469$, $t = 4.032$, $p = 0.000$). Since the p-value is less than 0.05, it significantly influences fund performance.

However, Portfolio Management Practices do not have a significant effect on Fund Performance ($B = 0.089$, $\beta = 0.089$, $t = 0.765$, $p = 0.447$), as the p-value is greater than 0.05.

The Collinearity statistics (Tolerance ≈ 0.999 , VIF ≈ 1.001) indicate that there is no multicollinearity problem among the independent variables.

Overall, only Strategic Asset Allocation significantly contributes to Fund Performance in this model.

Table No. 04: Hypothesis Testing Summary

Null Hypothesis	Statement	p-value	Decision	Result
H01	Strategic Asset Allocation (SA) does not influence Fund Performance	0.000	Rejected	Significant
H02	Portfolio Management Practices (PM) do not influence Fund Performance	0.447	Accepted	Not Significant
H03	Strategic Asset Allocation and Portfolio Management Practices do not influence Fund Performance (overall model)	0.001	Rejected	Model Significant

Interpretation: The hypothesis testing results show that Strategic Asset Allocation (SA) has a significant influence on Fund Performance, as its p-value (0.000) is less than 0.05. Therefore, the null hypothesis (H01) is rejected, indicating a statistically significant relationship. In contrast, Portfolio Management Practices (PM) have a p-value of 0.447, which is greater than 0.05. Hence, the null hypothesis (H02) is accepted, showing that PM does not have a significant individual impact on Fund Performance. However, the overall regression model (H03) has a p-value of 0.001, which is less than 0.05. This means

the combined effect of SA and PM on Fund Performance is statistically significant, and the model is a good fit.

Overall, the findings indicate that Strategic Asset Allocation plays a key role in influencing Fund Performance, while Portfolio Management Practices do not show a significant independent effect.

VII. LIMITATIONS OF THE STUDY

- The study is based on a limited sample size, which may restrict the generalization of the findings.
- Convenience sampling was used, which may introduce sampling bias.
- The study considers only Strategic Asset Allocation and Portfolio Management Practices, while other factors affecting Fund Performance were not included.
- The data are based on respondents' perceptions, which may involve personal bias.

VIII. SUGGESTIONS

- ❖ Fund managers should emphasize strategic asset allocation for long-term performance improvement.
- ❖ Regular performance evaluation mechanisms should be strengthened.
- ❖ Advanced risk management tools should be adopted.
- ❖ Continuous training should be provided to fund managers.

IX. CONCLUSION:

The study concludes that Strategic Asset Allocation significantly influences Fund Performance, whereas Portfolio Management Practices do not show a statistically significant individual impact. The overall regression model confirms that asset allocation decisions play a critical role in determining investment outcomes. These findings align with financial theories emphasizing the importance of long-term allocation strategies in achieving stable returns. The results suggest that fund managers should prioritize strategic asset allocation as a key performance driver. Although portfolio management practices are essential for operational efficiency, they may not independently determine performance outcomes. The study

provides practical implications for investment professionals and contributes to academic research in finance and portfolio management.

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