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## **A STUDY ON THE PERFORMANCE OF VARIOUS MUTUAL FUNDS SCHEMES**

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### **INTRODUCTION**

A mutual fund is a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund will have a fund manager who is responsible for investing the gathered money into specific securities (stocks or bonds). When investors invest in a mutual fund, they are buying units or portions of the mutual fund and thus on investing becomes a unit holder of the fund. Mutual funds are considered as one of the best available investments as compare to others they are very cost efficient and also easy to invest in, thus by pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. But the biggest advantage to mutual funds is diversification, by minimizing risk & maximizing returns. Mutual funds are set up to buy many stocks. Beyond that, investors can diversify even more by purchasing different kinds of stocks which helps to spreading out investors' money across different types of investments and hence, reduces risk tremendously up to certain extent. It could take you weeks to buy all these investments, but if you purchased a few mutual funds you could be done in a few hours because mutual funds automatically diversify in a predetermined category of investments.

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## **OBJECTIVES OF THE STUDY**

Objective of this study is to analyze the Past Performance of the various Mutual Funds Schemes on the Basis of their Historical NAV's and application of statistical tools on the same. This helps in understanding the performance of mutual fund schemes in terms of both risk as well as return involved.

## **METHODOLOGY OF THE STUDY**

A Sample of 5 Schemes each from 5 different types of Funds is being taken. Types of Funds taken are follows: Diversified funds Large cap funds Mid cap funds Small cap funds Sector funds Analysis has been done by using following Statistical tools: Sharpe Ratio: It indicates the Risk-Return Performance of Portfolio. Beta: It measures the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Standard Deviation: It shows the historical volatility. Annualized Return: It indicate the return on return over the period of times.

## **SIGNIFICANCE OF THE STUDY**

Able to learn the various analytical tools of Mutual Fund like Beta, Standard Deviation, Compounded annual growth rate (CAGR) and Sharp Ratio. Get complete overview of Mutual Fund industries in India. Able to know the past performance of various Mutual Funds Schemes.

Investors are able to know the investment pattern and market trend of investing in various sectors.

## **LIMITATIONS OF THE STUDY**

A sample sizes is limited factor, only last five years of Data has been taken. Past performance may not guarantee the future return. Micro level data have been taken in analysis Macro level data may affect the returns.

## **ADVANTAGES OF MUTUAL FUND**

- a) Professional Management - The basic advantage of funds is that, they are professionally managed by well qualified professional. Investors purchase funds because they do not have the time or the expertise to manage their own portfolio.
- b) Diversification - Purchasing units in a mutual fund instead of buying individual stocks or bonds, the investors risk is spread out and minimized up to certain extent.



The idea behind diversification is to invest in a large number of assets so that a loss in any particular investment is minimized by gains in others.

- c) Economies of Scale - Mutual fund buy and sell large amounts of securities at a time, thus help to reducing transaction costs, and help to bring down the average cost of the unit for their investors.
- d) Liquidity - Just like an individual stock, mutual fund also allows investors to liquidate their holdings as and when they want.
- e) Simplicity - Investments in mutual fund is considered to be easy, compare to other available instruments in the market, and the minimum investment is small. Most AMC also have automatic purchase plans whereby as little as Rs. 2000, where SIP start with just Rs.50 per month basis.

### **DISADVANTAGES OF MUTUAL FUND**

- a) Professional Management- Some funds don't perform according to the market, as their management is not dynamic enough to explore the available opportunity in the market, thus investor loose their money
- b) Costs – The biggest source of AMC income is generally from the entry & exit load which they charge from investors, at the time of purchase. The mutual fund industries are thus charging extra cost under layers of jargon.
- c) Dilution - Because funds have small holdings across different companies, high returns from a few investments often don't make much difference on the overall return. Dilution is also the result of a successful fund getting too big. When money pours into funds that have had strong success, the manager often has trouble findings good investment for all the new money.
- d) Taxes - when making decisions about your money, fund managers don't consider your personal tax situation.

### **TYPES OF MUTUAL FUNDS SCHEMES: ON THE BASIS OF STRUCTURE:**

- a) Open - Ended Schemes:

An open-end fund is one that is available for subscription throughout the year. These do not have a fixed maturity. Investors can conveniently buy and sell units at Net Asset Value ("NAV") related prices. The key feature of open-end schemes is liquidity, where you can buy and sell the mutual fund unit at any time.



b) Close - Ended Schemes:

These schemes have a pre-specified maturity period. One can invest directly in the scheme at the time of the initial issue. Depending on the structure of the scheme there are two exit options available to an investor after the initial offer period closes. First, the Investors can transact (buy or sell) the units of the scheme on the stock exchanges where they are listed. Second, some close-ended schemes provide an additional option of selling the units directly to the Mutual Fund through periodic repurchase at the schemes NAV. SEBI Regulations ensure that at least one of the two exit routes is provided to the investor.

c) Interval Schemes:

Interval Schemes are that scheme, which combines the features of open-ended and close-ended schemes. The units may be traded on the stock exchange or may be open for sale or redemption during pre-determined intervals at NAV related prices.

**ON THE BASIS OF NATURE:**

- a) Equity fund: These funds invest a maximum part of their Principal amount into equities holdings. The structure of the fund may vary different for different schemes and the fund manager's outlook on different stocks. Equity investments are meant for a longer term, thus Equity funds rank high on the risk-return matrix.
- b) Debt funds: The objective of these Funds is to invest in debt papers. Government authorities, private companies, banks and financial institutions are some of the major issuers of debt papers. By investing in debt instruments, these funds ensure low risk and provide stable income to the investors.
- c) Balance fund: They are a mix of both equity and debt funds. They invest in both equities and fixed income securities, which are in line with pre-defined investment objective of the scheme. These schemes aim to provide investors with the best of both the Funds. Equity part provides growth and the debt part provides stability in returns.

**ON THE BASIS OF INVESTMENT OBJECTIVE:**

- a) Growth Schemes: These Schemes are also known as equity schemes. The aim of these schemes is to provide capital appreciation over medium to long term. These schemes normally invest a major part of their fund in equities and are willing to bear short-term decline in value for possible future appreciation



- b) Income Schemes: These are also known as debt schemes. The aim of these schemes is to provide regular and steady income to investors. These schemes generally invest in fixed income securities such as bonds and corporate debentures. Capital appreciation in such schemes may be limited
- c) Money Market Schemes: These Schemes aim to provide easy liquidity, preservation of capital and moderate income. These schemes generally invest in safer, short-term instruments, such as treasury bills, certificates of deposit, commercial paper and inter-bank call money.

#### **RELIANCE MUTUAL FUND:**

Reliance Mutual Fund is India's leading Mutual Fund with Quarter Average Assets under management (AAUM) of Rs 102066Crores. Reliance Mutual Fund, a part of the Reliance - Anil Dhirubhai Ambani Group, is one of the fastest growing mutual funds in the country. RMF offers investors a well-rounded portfolio of products to meet varying investor requirements and has presence in 159 cities across the country. Reliance Mutual Fund constantly endeavors to launch innovative products and customer service initiatives to increase value to investors. "Reliance Mutual Fund schemes are managed by Reliance Capital Asset Management Limited., a subsidiary of Reliance Capital Limited, which holds 93.37% of the paid-up capital of RCAM. The schemes that I have taken for analysis from Reliance Mutual Fund are: RELIANCE BANKING FUND (G) [under Sector Fund]: The primary investment objective of the Scheme is to seek to generate continuous returns by actively investing in equity and equity related or fixed income securities of companies in the Banking Sector.

#### **RELIANCE MEDIA & ENTERTAINMENT FUND (G)**

[under Sector Fund]: The primary investment objective of the Scheme is to generate consistent returns by investing in equity / equity related or fixed income securities of media and entertainment and other associated companies. Fund overview: Fund Types- Open Ended Investment Plain- Growth Assets sizes- Rs112.05 crores Launch date- Sep 27, 2007 Benchmark- NA Fund Manager- Mr. Salish Raj Bhan4.1.3 RELIANCE VISION (G) [under large cap fund]: Seeks to provide long term capital appreciation by primarily investing in growth oriented stocks. UTI MUTUAL FUND:



UTI Mutual Fund was started in 14, January 2003 by UTI Trustee Co, Pvt. Ltd. for managing the schemes of UTI Mutual Fund. UTIAMC provides professionally managed back office support for all business services of UTI Mutual Fund in accordance with the provisions of the Investment Management Agreement, the Trust Deed, the SEBI Regulations and the objectives of the schemes. Since February 3, 2004, UTIAMC is also a registered portfolio manager under thereby for undertaking portfolio management services. UTIAMC also acts as the manager and marketer to offshore funds through its 100 % subsidiary, UTI International Limited, registered in Guernsey, Channel Islands. UTIAMC presently manages a capital of over Rs. 65, 38,724.42 lakhs as on 31st December 2010.

UTI Mutual Fund has a track record of managing a variety of schemes catering to the needs of every class of citizens. It has a nationwide network consisting 148 UTI Financial Centers (UFCs) and UTI International offices in London, Dubai and Bahrain. UTIAMC has a well-qualified, professional fund management team, which has been fully empowered to manage funds with greater efficiency and accountability in the sole interest of the unit holders. UTIMF has consistently reset and upgraded transparency standards. All the branches, UFCs and registrar offices are connected on a robust IT network to ensure cost-effective quick and efficient service. The schemes that I have taken for analysis from UTI Mutual Fund are UTI INFRASTRUCTURE FUND (G) [under Sector Fund] : Investment Objective is capital appreciation by investing in the companies engaged in these sectors like Metals, Real Estate, Oil ; Gas, Power, Chemicals, Engineering etc.

UTI MID CAP FUND [ under Mid cap fund]: It's aims to provide to investors growth of capital over a period of time by investing in mid cap stock ,as well as to make periodical distribution of income from investment in stocks of respective sectors of the Indian economy.

#### **SBI MUTUAL FUND**

SBI Mutual Fund is India's largest bank sponsored mutual fund and has a track record in judicious investments and consistent wealth creation. The fund traces its lineage to SBI - India's largest banking enterprise. The institution has grown immensely since its inception and today it is India's largest bank, patronized by over 80% of the top corporate houses of the country. SBI Mutual Fund is a joint venture between the State Bank of India and Society General Asset Management, one of the world's leading fund management companies that manages over US\$ 500 Billion worldwide.



In twenty years of operation, the fund has launched 38 schemes and successfully redeemed fifteen of them. In the process it has rewarded its investors handsomely with consistent returns. A total of over 5.8 million investors have reposed their faith in the wealth generation expertise of the Mutual Fund. Today, the fund manages over Rs. 42,100 crores of assets and has a diverse profile of investors actively parking their investments across 38 active schemes. The fund serves this vast family of investors by reaching out to them through network of over 130 points of acceptance, 29 investor service centers, 59 investorservice desks and 6 Investor Service Points.SBI Mutual is the first bank-sponsored fund to launch an offshore fund – Resurgent India Opportunities Fund.

It provides the investor's maximum growth opportunity through equity investment in stocks of growth oriented sector called Pharma in long run. Fund overview: Fund Types- Open Ended Investment Plan- Growth Assets Sizes- Rs 39.69 crores .

SBI MAGNAM EQUITY FUND (G)[ under large cap Fund]: To provide investors long term capital appreciation along with the liquidity of an open-ended scheme. The scheme will invest in a diversified portfolio of equities of high growth companies.

SBI MAGNUM MID CAP FUND [under mid cap Fund]: To provide investors with opportunities for long term growth in capital along with the liquidity of an open ended scheme by investing predominantly in a well diversified basket of equity stocks of companies and in debt and money market instruments.

FRANKLIN TEMPLETON MUTUAL FUND: Franklin Templeton Investments is one of the largest financial services groups in the world based at San Mateo, California USA. The group has US\$ 642.3 billion in assets under management globally. Franklin Templeton has offices in 33 locations across India and manages averageAUM of Rs. 42142.21 crores for over 22 lakhs investors (as on September 30, 2010).

The scheme aims to achieve long term capital appreciation through exclusively investing in shares of Fast Moving Consumer Goods Companies. funds-an integral part of the first wave that commenced operations in 1993-94.It is a part of JM Financial Group, which has a rich heritage, built over three decade.30Groups origins can be traced back to the 1950s when the Company family began to get involved in India's then capital markets. JM Financial & Investment Consultancy Services was founded on September 15, 1973. JM Financial Asset Management Private Limited started operations in December1994 with a simultaneous



launch of three funds-JM Liquid Fund (now JM Income Fund), JM Equity Fund and JM Balanced Fund. Today, JM Financial Mutual Fund offers a bouquet of funds that caters to the diverse needs of both its institutional and individual investors. Its mission is to manage risk effectively while generating top quartile returns across all product categories. We believe that to cultivate investor loyalty, we must provide safe haven for their investments. We are focussed on helping our investor's realize their investment goals through prudent advice, judicious fund management, accurate research, and strong systems of managing risk scientifically.

**JM MID CAP FUND** [under mid cap Fund]: The investment objective of the Scheme is to provide capital appreciation by primarily investing in mid cap fund. **JM SMALL & MID CAP FUND (G)**[under small cap Fund]: The investment objective of the Scheme is to provide capital appreciation by primarily investing in small cap and mid-cap stocks.

**BIRLA SUNLIFE MUTUAL FUND:** Birla Sun Life Asset Management Company Ltd. (BSLAMC) is a joint venture between the Aditya Birla Group and the Sun Life Financial Services Inc. of Canada. The joint venture brings together the Aditya Birla Groups experience in the Indian market and Sun Life's global experience. Birla Sunlife Mutual Fund is established in 1994 .It offer a range of investment options, including diversified and sector specific equity schemes, fund of fund schemes, hybrid and monthly income funds, a wide range of debt and treasury products and offshore funds. BSLAMC is one of the largest team of research analysts in the industry, dedicated to tracking down the best companies to invest in.BSLAMC strives to provide transparent, ethical and research-based investments and wealth management services.

**KOTAK MAHINDRA MUTUAL FUND:**

Kodak Mahindra is one of Indias leading financial institutions, offering complete financial solutions that encompass every sphere of life. From commercial banking, to stock broking, to mutual funds, to life insurance, to investment banking, the group caters to the financial needs of individuals and corporate. The group has a net worth of Rs.7,911 crore and employs around 20,000 employees across its various businesses, servicing around 7 million customer accounts through adistribution network of 1,716 branches, franchisees and satellite offices across more than 470 cities and towns in India and offices in New York, California, SanFrancisco, London, Dubai, Mauritius and Singapore.Kotak Mahindra Asset



Management Company Limited (KAMMC), a wholly owned subsidiary of KMBL, is the Asset Manager for Kota Mahindra Mutual Fund(KMMF). KAMMC started operations in December 1998 and has over 10 Lacinvestors in various schemes. KMMF offers schemes catering to investors with varying risk - return profiles and was the first fund house in the country to launch dedicated gilt scheme investing only in government securities.

#### **SUNDARAM BNB PARIBAS MUTUAL FUND:**

Sundaram Mutual, identifying an investment opportunity long before it manifests as one, is the heart of our business belief. Being in the financial sector for a long time has given us a great understanding of the Indian economy and that guides us while picking the companies for its Funds. Once it unearths a potential opportunity, its Financial Experts spend countless time to research the companies, to see what will deliver the best returns for your money. Its financial experts are fine tuned to the larger global picture and all its complexities as well as the intricacies of the Indian market. We track global economic trends and market behaviour to better understand the domestic markets. We are constantly on the trail of promising opportunities and once identified, a new theme is thoroughly researched and tested on various platforms before being offered to the investing public.

**SUNDARAM BNB PARIBAS SELECT SMALL CAP FUND(G)**[small cap fund]: The primary investment objective of the scheme is to generate consistent long-term returns by investing predominantly in equity/equity related instruments of companies that can be termed as small cap. Fund objective: Fund Types- Open Ended Investment Plan- Growth Assets Sizes- Rs 364 crores Launch date- Jan 24, 2006 Bench mark- BSE Small cap index Fund Manager- Mr. Satish Ramanathan  
**4.8.3 SUNDARAM BNB PARIBAS GROWTH FUND (G)**[under Diversified fund]:It seeks to achieve capital appreciation by investing in a well diversified basket of equities and equity-related instruments. Income generation would be the secondary consideration. Fund Overview: Fund Types- Open Ended Investment Plan- Growth Assets Sizes- - Launch date- - Bench mark- - Fund Manager- -

**L & T MUTUAL FUND:**L&T Mutual Fund is one of the premier mutual funds in India that serves the investment needs of investors through a suite of acclaimed mutual fund schemes. With world class investment management practices and an equally competent fund management team, L&T Mutual Fund helps its investors reach their financial goals. Whether you are an individual investor, institution, or finance professional, you can gain from the



products and expertise that we offer. L&T Mutual Fund is backed by one of the most trusted and valued brands, L&T Finance – incorporated as Non Banking Finance Company in November 1994, has earned the trust of thousands of investors by adapting well to the changing marketing dynamics and emerging as a profitable venture despite the turbulences in the Financial market over the past few years. The schemes that I have taken for analysis from L & T Mutual Fund are: L & T SMALL CAP FUND [under small cap fund]: The scheme seeks to generate long term capital appreciation by investing predominantly in equity and equity related instruments of companies with small cap. Fund overview: Fund Types- Open Ended Investment Plan- Growth Assets Sizes- Rs 20 crores Launch date- Dec 20, 2007 Bench mark- BSE Small cap index Fund Manager- Mr. Anant Deep Katre

#### **TATA MUTUAL FUND:**

Tata Mutual Fund has earned the trust of lakhs of investors with its consistent performance and world-class service. It manages around Rs 20,854.00 crores (average AUM for the quarter of October-December 2010) worth of assets across its varied offerings. Tata Mutual Fund offers an investment option for everyone, whether you are a businessman or salaried professional, a retired person or housewife, an aggressive investor or a conservative capital builder. The Tata Asset Management philosophy is centered on seeking consistent, long-term results. Tata Asset Management aims at overall excellence, within the framework of transparent and rigorous risk controls. Tata Mutual Fund offers investors a broad range of managed investment products in various asset classes and risk parameters, with operational flexibility to suit their varied investment needs. It offer a wide range of services to assist investors have a fulfilling and rewarding financial planning experience with us. It have designed our services keeping in mind the needs of our investors, giving them a smooth and hassle-free financial planning process. The schemes that I have taken for analysis from TATA Mutual Fund are TATA DIVIDENT YIELD FUND (G) [under Diversified fund]: To Provide income distribution and / or medium to long term capital gains by investing predominantly in high dividend yield stocks. Fund overview: Fund Types- Open Ended Investment Plan- Growth Assets Sizes- Rs 177 crores Launch date- Oct 27, 2004

Bench mark- BSE Sensitive index Fund Manager- Mr. Mahindra Jacopo / Sachin Relekar  
HDFC MUTUAL FUND: HDFC Asset Management Company Ltd (AMC) was incorporated under the Companies Act, 1956, on December 10, 1999, and was approved to act as an



Asset Management Company for the HDFC Mutual Fund by SEBI vide its letter dated July 3, 2000. In terms of the Investment Management Agreement, the Trustee has appointed the HDFC Asset Management Company Limited to manage the Mutual Fund. The paid-up capital of the AMC is Rs. 25.161 crore. The AMC is managing 28 open-ended schemes of the Mutual Fund some are HDFC Growth Fund, HDFC Equity Fund.

## **CONCLUSION**

The Performance of Tata Dividend & HDFC top200 are better than their competitors because their Sharpe ratio & CAGR are relatively high against their competitors, their Beta & Standard Deviation both are low. The Performance of Reliance Diversified & Sundaram are poor because of their low Sharpe ratio & CAGR. Also they are more risky as compared to their competitors because of their high Beta. I would suggest giving first priority to HDFC TOP200 and second to Tata Dividend.

The Performance of Reliance Banking on the Basis of CAGR is outperforming as compared to its competitors. Its Sharpe ratio is also good after Franklin FMCG. Those who want to take high return as well as risk Reliance Banking is good for them because its Beta is also high among its competitors. Those who want to keep them safe and able to take less risk, for them Franklin is a better option Large cap Funds. SBI & Reliance vision both have good CAGR and Sharpe ratio, but Reliance has very less Beta as compared to SBI, so Reliance should be the priority for investment.

Midcap Funds Sundaram select mid cap is the top performer in terms of CAGR and Sharpe ratio, but has relatively high Beta, it is good for Risk taking investors. UTI is second best performer, also has low Beta as compared to Sundaram select mid cap, so it is good for safe investment. CAGR & Sharpe ratio of SBI is relatively low and its Beta and Standard Deviation are very high as compared to its competitors, so try to avoid it. Small cap Funds Sharpe ratio and CAGR of Religare are relatively high, also its Beta is low, and so it is good to invest in this fund. Sundaram small cap has very low CAGR & Sharpe ratio.

### **Books:**

1) Donald E Fischer, Security Analysis & Portfolio Management

Web sites:

1) <http://www.bluechipindia.co.in/>

2) <http://www.franklintempletonindia.com>



- 3) <http://www.utimf.com>
- 4) <http://www.hdfcfund.com/>
- 5) <http://mutualfund.birlasunlife.com>
- 6) <http://reliancemutual.com/>
- 7) <http://investopedia.com>
- 8) <http://money.rediff.com>
- 9) <http://moneycontrol.com>