



## SECTORAL ALLOCATION OF MF SCHEMES – A STUDY

**Dr. Vinita Sharma**

Associate Professor, Dept. of Business Management,  
Post Graduate Centre, A.V.College of Arts, Science & Commerce, Hyd-29.

### ABSTRACT

*Mutual Fund Investment is one of the most recommended tool for wealth creation, especially for the salaried middle class. The number of options available too, are mind boggling from an average investors perspective. More often than not, if the scheme belongs to a reputed AMC, the investor rarely looks beyond the returns generated. Historical performance is no doubt important, but there are other aspects too, that can be used to predict returns, one such is the 'sectoral allocation'. In this study an attempt has been made to study the sectoral and stock allocation of select equity growth schemes to study how different these offerings are. Can an investor really look beyond returns, brand names and fund manager? A strong core similarity was found among the schemes in terms of both sector and stock selection. The study also reveals that differences in sector allocations had impacted returns, but this study is only a cross-sectional study, a longitudinal study would be needed to make more meaningful conclusions.*

**Keywords :** Mutual Funds, sectoral allocation, equity growth scheme, historical returns, stock selection, variability.

## 1. Introduction

Investment in Mutual fund is often recommended as a great tool for wealth creation. Today India can boast of 42 AMFI registered fund houses and 2129 scheme offerings<sup>1</sup>. Having a variety of schemes offered by various fund houses is considered as a double edge sword. On one hand the plethora of schemes provide enough options to the investors to select from and on the other hand there is also the confusion of selecting from similar funds. Many a times investors look only towards returns of the MF schemes, they do not delve into the other dimensions of fund selection. Returns are no doubt important, yet how often does an investor look beyond returns, brand names and fund manager, rarely. One aspect of a scheme that can significantly influence returns is its 'Sectoral Allocation'. Academicians and experts express a opinion that analysis of the sectoral allocation of funds would give better long term results.

Sectoral allocation refers to the practice of including securities of different industries in one's portfolio. This is done primarily to reduce the systematic risk, underlying logic being that all sectors will not do equally well all the time. It is also used as an investment strategy by some fund houses for specific schemes. It forms part of what is called 'top-down approach', where fund managers first studies the macro-factors, based on which he determines the sectors and industries that are expected to do well, and then picks the stocks. From an investors perspective the search is for a fund that suits his desired risk tolerance and investment goals, thus giving him a better chance of meeting the investment objectives. In this paper an attempt has been made to study the sectoral and stock allocation of select equity growth schemes to study how different these offerings are. Can an investor really look beyond returns, brand names and fund manager?

## 2. Objectives of the study

The objectives of this study are :

- a. To ascertain the sectoral allocation of select equity growth MF schemes.

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<sup>1</sup> As on May'2017 as per AMFI site.

- b. To compare and contrast the sectoral and stock allocation for select equity growth MF schemes.
- c. To analyze the variability in sectoral and stock offerings of the select schemes.

### **3. Research Methodology**

The present research is an exploratory study focusing on the sectoral allocation of select equity growth MF schemes. For the purpose of drawing required inferences, sample of 12 equity growth MF schemes have been chosen. The MF Schemes that are considered for the formation of sample are those 12 peer schemes which have highest 3 year compounded annualized returns. The data relating to these schemes have been selected from secondary sources such as the official websites of the Mutual Funds, AMFI and other relevant online data sources. Coming to the sectoral classification adopted for the study the open source alternatives were - NSE's 11 sector classification, BSE's 19 sector classification, Moneycontrol.com's 22 sector classification and, Value Research's 6 sector classification. Moneycontrol.com's 22 sectoral classification has been used as it is best suited with the objectives of the study. For the purpose of analysing the data and drawing inferences, relevant statistical tools as available in MS – Excel have been used.

### **4. Analysis and Discussions**

#### **a. To ascertain the sectoral allocation of select equity growth MF schemes.**

It was seen that although the schemes had invested on average in 16 sectors, they had an average of 54% of their AUMs in just three sectors, 62% in four sectors; 74% in six sectors and almost 80% in 8 sectors. The five most sought after sectors were – BFSI, Auto, Oil & Gas, IT and Engg. and Capital Goods. If we consider Pharma, Tobacco, Cement & Construction Sectors, Metal and Mining, Consumers & Durables and Chemicals sectors the average AUMs in these eight sectors was almost 80%. (Table:1)

**Table:1 Sectoral Allocation of select Equity Growth Schemes**

(Fig. in %)

<b>Mutual Fund Schemes</b>	No. of sector Invest	Top Six Sectors invested in	Invst top 3 Sector	Invst top 4 Sector	Invst top 6 Sector
<u>JM Fund</u>	11	BFSI(28%), Automotives(17.4%), Oil & Gas(17.2%), Engg. & Capital Goods, Tobacco and Chemicals.	62.4	76.3	86.7
<u>HDFC 200</u>	17	BFSI, Engineering & Capital Goods, Oil & Gas, IT, Utilities and Automotives.	55.1	63.7	73.9
<u>BSL Frontline</u>	18	BFSI, Automotives, Oil & Gas, IT, Pharmaceuticals and Metals & Mining.	48.1	56.0	67.0
<u>ICICI Bluechip</u>	17	BFSI, Automotives, IT, Pharmaceuticals, Oil & Gas and Tobacco.	50.8	58.2	67.7
<u>SBI Bluechip</u>	16	BFSI, Automotives, Pharmaceuticals, Oil & Gas, Engineering & Capital Goods and IT.	44.0	51.1	63.5
<u>Kotak Focus</u>	15	BFSI, Oil & Gas, Automotives, Cement & Construction, Manufacturing and Engineering. & Capital Goods.	52.3	62.0	73.4
<u>Frank.Bluechip</u>	15	BFSI, Automotives, IT, Pharmaceuticals, Engineering. & Capital Goods and Consumer Non-Durables.	49.8	57.6	68.5
<u>UTI Equity</u>	18	BFSI, Pharmaceuticals, Automotives, IT, Tobacco and Engineering. & Capital Goods..	57.3	69.3	78.6
<u>UTI Opportu.</u>	15	BFSI, Automotives, IT, Oil & Gas, Pharmaceuticals and Miscellaneous.	58.5	66.4	74.4
<u>UTI Master</u>	14	BFSI, Automotives, IT, Engineering. & Capital Goods, Oil & Gas and Pharmaceuticals.	53.6	62.2	77.3
<u>DSP-BR</u>	11	BFSI, Automotives, Oil & Gas, Engineering. & Capital Goods, Tobacco and IT.	63.7	71.6	84.2
<u>L&amp;T Equity</u>	19	BFSI, IT, Engineering. & Capital Goods, Cement & Construction, Tobacco and Manufacturing,	45.9	52.9	63.6
<b>Average</b>	<b>16</b>		<b>53.8</b>	<b>62.3</b>	<b>73.5</b>

**b. To compare and contrast the sectoral and stock allocation for select equity growth MF schemes**

A study of stocks invested in the eight main sectors, and the proportion of sectoral allocation invested in them was undertaken. Sector wise findings are as follows-

**i. Banking & Financial Services Sector (BFSI)**

This sector includes two segments –banking stocks and non-banking financial stocks. For the purpose of the study however they have been considered separately to get a clearer picture. An average of 30% of the total AUM had been invested in the BFSI space, of which 81% was in banking stocks and 19% was in non-banking stocks. Though

schemes had invested in 6 to 12 banking stocks, approx. 50% of the banking sector allocation had been made in two stocks- HDFC Bank (average investment of 30%) and ICICI Bank (average investment of 17%). Around 76% was invested in four stocks, and 95% in six stock. HDFC Bank, ICICI Bank, SBI and IndusInd Bank were the most heavily invested stocks. (Table: 2)

**Table:2** Major Investments of leading Equity (G) schemes in banking stocks (Fig. in %)

Mutual Fund Schemes	Total BFSI Invst	%Bank Sector Invst.	Leading Banking Stocks investments in order of value of Investments	Sector Invst 2 Bank	Sector Invst 4 Bank	Sector Invst in 6 Bank
<u>JM Fund</u> <sup>2</sup>	28	59	HDFC Bank (42%),ICICI Bank(13%), SBI, Yes Bank, Kotak Mahindra Bank, Axis Bank, Bank of Baroda	55.8	76.9	94.4
<u>HDFC 200</u> <sup>3</sup>	35	92	HDFC Bank(24%), SBI (20%), ICICI Bank, SBI, BoI, Axis Bank, IndusInd Bank.	44.2	70.0	80.5
<u>BSL Frontline</u> <sup>4</sup>	30	69	HDFC Bank (23%), ICICI Bank(20%), IndusInd Bank, Kotak Mah. Bank, SBI, Yes Bank, BoB, Axis	43.0	66.0	85.8
<u>ICICI Bluechip</u> <sup>5</sup>	32	82	HDFC Bank (28%), ICICI Bank(26%), SBI, Axis Bank, IndusInd Bank, Yes Bank, Kotak Mah. Bank.	54.4	84.7	98.8
<u>SBI Bluechip</u> <sup>6</sup>	25	69	HDFC Bank (49%), SBI (17%), IndusInd Bank, Kotak Mahindra Bank, ICICI Bank.	65.8	92.1	100.0
<u>Kotak Focus</u> <sup>7</sup>	24	76	HDFC Bank(26%), IndusInd Bank(17%), SBI, ICICI Bank, Axis Bank, BoB.	42.4	72.4	92.7
<u>Frank.Bluechip</u> <sup>8</sup>	30	100	HDFC Bank (32%), ICICI Bank (17%), Yes Bank, IndusInd Bank, Kotak Mah. Bank, SBI, Axis, BoB	48.7	74.2	90.9
<u>UTI Equity</u> <sup>9</sup>	34	84	HDFC Bank (27%), Yes Bank(20%), IndusInd Bank, Kotak Mah. Bank, ICICI Bank, Axis Bank.	39.4	78.2	100.0
<u>UTI Opportu.</u> <sup>10</sup>	27	78	HDFC Bank (35%), IndusInd Bank(25%), ICICI Bank, Axis Bank	60.3	90.1	100.0
<u>UTI Master</u> <sup>11</sup>	30	86	HDFC Bank (32%), ICICI Bank(22%), Kotak Mah. Bank, IndusInd Bank, Axis Bank, BoB	53.5	83.1	100.0
<u>DSP-BR</u> <sup>12</sup>	35	86	HDFC Bank (31%), SBI(23%), IndusInd Bank, ICICI Bank, Yes Bank, Kotak Mahindra Bank.	53.7	78.6	96.8
<u>L&amp;T Equity</u> <sup>13</sup>	31	88	ICICI Bank(19%), HDFC Bank (17%), IndusInd Bank, Kotak Mah. Bank, SBI, Axis Bank	36.7	64.7	83.8
<b>Average Invst.</b>	30	81		55.8	76.9	94.4

<sup>2</sup> JM = JM Multi Strategy Fund (G)

<sup>3</sup> HDFC 200 = HDFC 200 <sup>3</sup>Fund (G)

<sup>4</sup> BSL Frontline = Birla SunLife Frontline Eq (G)

<sup>5</sup> ICICI Bluechip = ICICI Pru Focused Bluechip (G)

<sup>6</sup> SBI Blue Chip =SBI Blue Chip Fund (G)

<sup>7</sup> Kotak Focus = Kotak Select Focus Fund (G)

<sup>8</sup> Franklin Bluechip= Franklin India Bluechip (G)

<sup>9</sup>UTI Equity = UTI Equity Fund (G)

<sup>10</sup> UTI Oppurtuniti = UTI Oppurtunities (G)

<sup>11</sup> UTI Mastershare = UTI Mastershare (G)

<sup>12</sup> DSPBR 100 = DSP-BR Top 100 Equity (G)

<sup>13</sup> L&T Equity = L&T Equity Fund (G)

Coming to the Non Banking Sector stocks, an average of only 6% of total AUM was invested there but there was a lot of diversity in stock selection. Seven schemes had invested in HDFC & five in ICICI Pru Life Insurance. One-fourth of the schemes had invested in Mahindra & Mahindra Financial Services, Bajaj Finance and Cholamandalam Investment & Finance Company. Franklin India Blue-chip had no investments in this segment.

## ii. Automotive Sector

An average of 14% of the total AUM had been invested in sixteen automobile stocks by the schemes, of which an average of 79% was invested in three stocks and 90% in four stock. In this sector no scheme had invested in more than six stocks. Maruti Suzuki, Tata Motors, Hero Motor Corp and Mahindra & Mahindra were the most invested in stocks. (Table:3)

**Table: 3** Automotive Stocks and proportion of sectoral investment in them. (Fig. in %)

Mutual Fund Schemes	Total Auto	Leading Automotive Stocks investments in order of value of Investments	Invst in 3 stocks	Invst in 4 stocks	Invst in 6 stocks
JM Fund	17.4	Maruti Suzuki (43%), Eicher Motors (35%), Tata Motors (11%), Balakrishna Industries	89.1	100.0	100
HDFC 200	5.99	Maruti Suzuki (49%), Tata Motors (51%)	100.0	100.0	100
BSL Frontline	9.77	Maruti Suzuki (29%), Tata Motors (26%), Mahindra & Mahindra (21%), Hero Motor Corps (10.7%), Motherson Sumi & Bosch..	75.9	86.7	100
ICICI Bluechip	10.8	Maruti Suzuki (34.7%), Tata Motors (28.4%), Motherson Sumi(26%), TVS Motor & Ashok Leyland (2.3%).	89.4	91.7	100
SBI Bluechip	11.5	Mahindra & Mahindra(27%), Motherson Sumi (19%), Maruti Suzuki (18%), Hero Motor Corps (18%), Tata Motors & Eicher Motor.	63.6	74.4	100
Kotak Focus	12.2	Hero Motor Corps(33%), Maruti Suzuki(29%), Mah. & Mah.(15%), MRF, Tata Motorsb & Ashok Leyland.	76.0	86.1	100
Frank.Bluechip	11.8	Tata Motors (35%), Mahindra & Mahindra(27%), Hero Motor Corps(20%), Bajaj Auto(19%).	81.5	100.0	100
UTI Equity	11.8	Maruti Suzuki(27%), Motherson Sumi (23%), Eicher Motors(20%), Amar Raja Batteries (11%), Bosch & Hero Motor Corp.	69.7	80.5	100
UTI Opportu.	18.7	Maruti Suzuki(24%), Tata Motors(19%), MRF (17%), Mahindra & Mahindra(16%), Hero Motor Corps(14%) & Exide Batteries	59.6	75.8	100
UTI Master	14.1	Maruti Suzuki(25%), Mahindra & Mahindra (21%), Tata Motors(16%), Hero Motor Corps (16%), Bosch & MRF.	62.4	78.1	100
DSP-BR	15.5	Maruti Suzuki(44%), Tata Motors(35.3%) & Eicher Motors.	100.0	100.0	100
L&T Equity	5.65	Maruti Suzuki(44%),Mahindra & Mahindra(21%), WABCO India (21%) & Hero Motor Corps.	85.5	98.6	100
Average Invst.	17.4		79.4	89.3	100

### iii. Oil and Gas Sector

An average investment of 8% of the total AUMs had been made in ten oil and gas stocks by the schemes, with the exception of UTI Equity Fund which had no exposure in this sector. All schemes had invested an average one-third in a single stock- Reliance Industries, two-thirds in just two stocks, on average 78% in three stocks and 88% in four stocks. Seven schemes had invested only in four stocks and no scheme had invested in more than six stocks. Reliance Industries, Gail India, HPCL, IOC, BPCL and ONGC were the most preferred stocks. (Table:4)

**Table: 4** Oil & Gas stocks and proportion of sectoral investment in them. (Fig. in %)

Mutual Fund Schemes	Total Oil& Gas	Leading Oil & Gas Stocks invested in order of value of Investments	Invst in 2 stocks	Invst in 3 stocks	Invst in 4 stocks
JM Fund	17.0	IOC (44%), HPCL (27.3%), Gail India (23%), ONGC (6%).	71.2	94.1	100.0
HDFC 200	8.6	Reliance Industries (57%), Gail India (16%), ONGC (12%), IOC (6%), HPCL (5%) and BPCL (5%).	72.8	84.5	90.5
BSL Frontline	8.6	Reliance Industries (43%), Gail India (25%), IOC (30%) and HPCL (11%).	72.7	88.8	100.0
ICICI Bluechip	5.3	Reliance Industries (42%), Gail India (25%), ONGC (12%), IOC (6%), HPCL (5%) and BPCL (5%).	67.6	87.1	100.0
SBI Bluechip	7.1	Reliance Industries (44%), HPCL (33%), IOC (23%)	76.7	100.0	100.0
Kotak Focus	15.6	Reliance Industries (30%), Gail India (20%), HPCL (15%), Indraprastha Gas(13%), Petronet LNG (13%) and BPCL (9%).	49.8	64.9	78.1
Frank.Bluechip	4.1	BPCL (40%), Reliance Industries (34%), IOC (14%) and ONGC (13%).	72.9	87.2	100.0
UTI Equity	-		-	-	-
UTI Opportu.	7.9	IOC (49%), Gail India (26%), Petronet LNG (11%), Gujarat State Petronet (9%), Gujarat Gas (5%).	74.8	85.7	94.8
UTI Master	8.3	Reliance Industries (29%), BPCL (32%), Gujarat State Petronet (20%) and Indraprastha Gas (19%)	60.7	80.6	100.0
DSP-BR	13.1	BPCL (37%), HPCL (24%), Reliance Industries (22%), Petronet LNG (11%) and Gail India (7%).	67.3	82.2	92.7
L&T Equity	3.8	Gail India (36%), HPCL (28%) IOC (23%) and Reliance Industries (14%).	63.2	85.8	100.0
<b>Average Invst.</b>	9.0		62.5	78.4	88.0

#### iv. IT Sector

An average investment of 8% of the total AUMs of the schemes had been made in ten IT stocks, with the exception of JMM which had no exposure in this sector. All schemes had invested almost 50% of this allocation in a single stock-Infosys, 83% in two stocks, 94% in three stocks and 98% in four stocks. Infosys, HCL Tech, Tech Mahindra, TCS and Wipro are the most preferred stock. (Table:5)

**Table: 5** IT Stocks and proportion of sectoral investment in them. (Fig. in %)

Mutual Fund Schemes	Total IT Stocks	Leading IT Stocks invested in order of value of Investments	Invst in 2 stocks	Invst in 3 stocks	Invst in 4 stocks
JM Fund					
HDFC 200	8.53	Infosys (51%), TCS (27%), Oracle Financial Services (8%), Tech Mahindra (8%), HCL Tech(5%) & Wipro	77.4	85.7	93.4
BSL Frontline	7.28	Infosys (50%), HCL Tech (28%), Tech Mahindra (24%) and Wipro (21%).	77.9	92.0	100.0
ICICI Bluechip	8.31	Infosys (41%), Tech Mahindra(24%), HCL Tech (15%) & Wipro (21%).	64.6	85.1	100.0
SBI Bluechip	5.51	Infosys (56%) and HCL Tech (44%).	100.0	100.0	100.0
Kotak Focus	2.75	Infosys (56%) and HCL Tech (44%).	100.0	100.0	100.0
Frank.Bluechip	8.04	Infosys (50%), HCL Tech (26%), Tech Mahindra (16%) and Wipro (9%).	75.9	91.5	100.0
UTI Equity	11.27	Infosys (43%), TCS (35%), eClerx Services (13%) and Mindtree (9%).	77.8	90.9	90.9
UTI Opportu.	12.47	Infosys (46%), TCS (29%), Tech Mahindra (18%), Persistent Sys (4%) and Mphasis(3%).	75.1	93.3	96.9
UTI Master	9.79	Infosys (65%), TCS (19%), and Tech Mahindra (16%).	83.8	100.0	100.0
DSP-BR	5.88	Infosys (60%) and Tech Mahindra (40%),	100.0	100.0	100.0
L&T Equity	7.63	Infosys (39%), TCS (42%) and HCL Tech (19%)	81.3	100.0	100.0
<b>Average Invst.</b>	8.0		83.1	94.4	98.3

#### v. Engineering and Capital Goods Sector

An average investment of 7% of the total AUM had been made in twenty one Engineering and Capital Goods stocks. All schemes except UTI Equity Fund and UTI Opportunities Fund had invested around 47% in a single stock-L&T, 80% in two stocks, 90% in three stocks and 98% in four stocks. L&T, Cummins India, Adani Ports, SKF India and Thermax were the most invested stocks. (Table:6)



**Table:6** Engg & Capital Goods Stocks and proportion of investment in them.

(Fig.in %)

Mutual Fund Schemes	Total Engg.& Capital Goods	Leading Engg. & Capital Goods Stocks invested in order of value of Investments	Invst in 2 stocks	Invst in 3 stocks	Invst in 4 stocks
<u>JM Fund</u>	13.94	L&T (28%), Cummins India(21%), Thermax (21%) and SKF India (10%)	48.4	69.0	100
<u>HDFC 200</u>	11.45	L&T (58%), ABB India (18%), Adani Ports (12%) and BHEL (3%).	75.6	87.2	100
<u>BSL Frontline</u>	4.67	L&T(46%), Cummins India(25%), IRB Infra. (11%), CG Power & Indus.(10%) & GE Power	71.1	82.2	92.3
<u>ICICI Bluechip</u>	3.45	L&T (81%) and Cummins India (19%)	100	100	100
<u>SBI Bluechip</u>	6.86	L&T (64%), FAG Bearings (11%), Sadbhav Engg (10%), Thermax (9%) and SKF India (6%)	74.9	85.1	94.0
<u>Kotak Focus</u>	4.70	L&T (58%), Techno Electric & Engg.(14%), KEC International (12%), AIA Engg(12%) and Kirloskar Engg	72.3	84.5	96.4
<u>Frank.Bluechip</u>	5.88	L&T (73%) and Cummins India(27%).	100	100	100
<u>UTI Equity</u>	4.27	Havells(34%),Cummins India(30%),FAG Bearings (19%),Thermax(12%),Grindwell Norton	63.5	82.2	93.9
<u>UTI Opportu.</u>	3.03	Cummins India(39%) and Adani Ports (61%)	100	100	100
<u>UTI Master</u>	8.56	SKF Industries (35%), L&T (31%), Cummins India(21%) and Adani Ports (13%).	65.9	87.3	100
<u>DSP-BR</u>	7.82	L&T (61%) and Cummins India (40%).	100	100	100
<u>L&amp;T Equity</u>	7.28	L&T (61%), Techno Electric & Engg.(21%) and AIA Engg (9%).	81.9	91.3	100
<b>Average Invst.</b>			79.5	89.1	98.1

**vi. Pharma Sector**

An average investment of 6% of the total AUM had been made in seventeen pharma stocks by the schemes, with the exception of JM Multi Strategy Fund which had no exposure in this sector. All schemes had invested on average one-third of this in a single stock- Sun Pharmaceutical Laboratories, two-thirds in just two stocks and almost 92% in four stocks. No scheme had invested in more than six stocks. Sun Pharma, Lupin, Divi Labs, Aurobindo Pharma, Cipla and Torrent Pharma were the most invested in stocks.(Table: 7)

**Table:7** Pharma Stocks and Proportion of Sector funds invested in them. (Fig. in %)

<b>Mutual Fund Schemes</b>	Total Auto	Leading Pharma Stocks investments in order of value of Investments	Invst in 2 stocks	Invst in 4 stocks	Invst in 6 stocks
<u>JM Fund</u>					
<u>HDFC 200</u>	3.52	Sun Pharma (27%), Aurobindo Pharma (48.3%), Cipla & Lupin	75.6	100.0	100
<u>BSL Frontline</u>	6.87	Sun Pharma (28%), Aurobindo Pharma (20%), Sanofi India (12%), Divi Laboratories, Glenmark, Lupin, Dr.Reddys Laboratories & Sun Pharma	48.3	68.1	100
<u>ICICI Bluechip</u>	7.37	Cipla(38%) Sun Pharma(34%), Lupin (17%), Biocon (6%), Biocon & Dr.Reddys Lab.	71.9	94.3	100
<u>SBI Bluechip</u>	7.69	Sun Pharma (33%), Strides Shasun(23%), Aurobindo Pharma(17%), Divis Lab(10%) Torrent Pharma and Dr. Lal PathLabs	55.8	82.7	100
<u>Kotak Focus</u>	3.23	Cadila Healthcare (28%), Lupin (27%) Sun Pharma (26%) and Aurobindo Pharma (20%)	54.8	100.0	100
<u>Frank.Bluechip</u>	7.75	Cadila Healthcare (28%), Dr.Reddys Lab (27%), Lupin (26%) and Sun Pharma (20%).	53.9	100.0	100
<u>UTI Equity</u>	12	Sun Pharma(34%), Lupin (17%), Dr.Reddys Lab.(16%) and Torrent Pharma (16%)	44.6	80.3	100
<u>UTI Opportu.</u>	4.9	Sun Pharma (55%), Cipla (27%), Torrent Pharma(11%), Sun Pharma Advanced Research.	82.2	100.0	100
<u>UTI Master</u>	6.82	Sanofi India (30%), Sun Pharma (28%), Aurobindo Pharma(14%) and Lupin (11%).	58.5	83.6	100
<u>DSP-BR</u>	4.2	Sun Pharma(57%) and Lupin (43%)	100.0	100.0	100
<u>L&amp;T Equity</u>	2.83	Sun Pharma (33%), Ipca Labs (31%), Lupin (26%) and Divis Lab (9%) .	65.4	100.0	100
<u>Average Invst.</u>	6.11		64.6	91.7	100

**vii. Tobacco Sector**

An average of 4% of the total AUM had been made by the schemes in this sector, with the exception of Franklin India Blue-chip which had no exposure in this sector. Interestingly all schemes had invested in the same stock ie. ITC.

**viii. Cement and Construction Sector**

It was found that an average investment of 4% of the total AUMs of the schemes had been made in nine Cement and Construction stocks. Three fourths of the schemes had invested almost half of the sectoral investment in a single stock -Ultra Tech Cements, and half the schemes had invested almost 55% in Sree Cements. Four schemes had invested only in one stock, while five schemes had invested in two stocks. Nine schemes had invested in 3 stocks and eleven schemes had invested in

four stocks. Ultra Tech Cements, Shree Cements, ACC, Ambuja Cements and Ramco Cements were the most preferred stocks. (Table:8)

**Tab: 8** Cement Stocks and proportion of sectoral investment in them (Fig. in %)

Mutual Fund Schemes	Total Cement Const.	Leading Cement & Construction Stocks invested in order of value of Investments	Invst in 2 stocks	Invst in 3 stocks	Invst in 4 stocks
JM Fund	8.53	Ultra Tech Cement (100%)	100	100	100
HDFC 200	7.28	Ambuja Cements (100%)	100	100	100
BSL Frontline	8.31	ACC (100%)	100	100	100
ICICI Bluechip	5.51	ACC (70%) and Ambuja Cements (30%)	100	100	100
SBI Bluechip	2.75	Ultra Tech Cement (54%) & Ramco Cements (47%)	100	100	100
Kotak Focus	8.04	Ultra Tech Cement (38%), Shree Cements (28%), Ramco Cements (27%) and JK Lakshmi Cements (7%)	65.5	92.7	100
Frank.Bluechip	11.3	Ultra Tech Cement (49%) and ACC (51%)	100	100	100
UTI Equity	12.5	Shree Cements (100%)	100	100	100
UTI Opportu.	9.79	Ultra Tech Cement (40%) and Shree Cements (60%)	100	100	100
UTI Master	5.88	Ultra Tech Cement (42%), Shree Cements (34%), Lakshmi Cement (16%) and NCC (9%).	76.0	91.6	100
DSP-BR	7.63	Ultra Tech Cement (47%) and Shree Cements (53%)	100	100	100
L&T Equity	8.53	Ultra Tech Cement (22%), Ramco Cements (37%), Ashoka Buildcon (18%), Ambuja Cements (15%) and India Cements (9%).	58.6	76.0	90.8
<b>Average Invst.</b>	8.0		91.7	96.7	99.2

**c. To analyze the variability in sectoral and stock offerings of the select schemes**

In order to help the investors reach their investment goals Fund houses offer different schemes with different investment objectives. Here the selected schemes are growth schemes and hence share a common investment objective that is capital appreciation with little or no dividends payout. If we consider 6 sectors the average investment is approx. 74% (three fourths). (Table: 9)

**Table:9** Sectoral Investment in top three, four and six sectors.

<b>Mutual Fund Schemes</b>	No. sectors	BFS	Auto	Oil & Gas	IT	Engg Capital Goods	Cement Construction	Tobacco	Pharma	Manufacturing	Consumer&Non-Durable	Chemicals	Metals & mining	Invst top 3 Sectors	Invst top 4 Sectors	Invst top 6 Sectors
JM Fund	11	28.0	17.4	17.2	-	13.9	-	8.0	-	-	-	4.6	-	62.4	76.3	88.9
HDFC 200	17	35.0	6	8.63	8.53	11.5		4.2						55.1	63.7	73.9
BSL Frontline	18	29.7	9.8	8.6	7.82				6.9				4.2	48.1	56.0	67.0
ICICI Bluechip	17	31.7	10.8	5.3	8.3			4.2	7.4					50.8	58.2	67.7
SBI Bluechip	16	24.8	11.5	7.1	5.5	6.9			7.7					44.0	51.1	63.5
Kotak Focus	15	24.5	12.2	15.6		4.7	9.7			6.7				52.3	62.0	73.4
Frank.Bluechip	15	30.0	11.8		8.04	5.9			7.8		5.0			49.8	57.6	68.5
UTI Equity	18	34.2	11.8		11.3	4.3		5.0	12					57.3	69.3	78.6
UTI Opportu.	15	27.3	18.7	7.9	12.5		3.1		4.9					58.5	66.4	74.4
UTI Master	14	29.7	14.1	8.3	9.8	8.6			6.8					53.6	62.2	77.3
DSP-BR	11	35.1	15.5	13.1	5.9	7.9		6.7						63.7	71.6	84.2
L&T Equity	19	31.0			7.63	7.3	6.93	6.2	4.5					45.9	52.9	63.6
<b>Average</b>	<b>16</b>													<b>53.8</b>	<b>62.3</b>	<b>73.5</b>

Coming to returns interestingly a negative co-relation was found between the number of sectors and returns for all the periods, 1 month, 3 months, 6 months, 1 year, 2 years and 3 years. (Table:10)

**Table:10** Correlation between scheme returns and number of sectors invested in.

<b>Mutual Fund Schemes</b>	<b>No. of Sectors</b>	<b>1 month returns</b>	<b>3 month returns</b>	<b>6 month returns</b>	<b>1 year returns</b>	<b>2 year returns</b>	<b>3 year returns</b>
JM Multi Strategy Fund	11	3.2	14.1	26	40.6	19.6	18.7
HDFC Top 200 Fund	17	1.6	6.0	20.9	23.5	10.8	10.8
Birla SL Frontline Equity	18	2.2	8.5	17.5	21.5	21.5	13.5
ICICI Pru Focused Bluechip	17	3.2	8.2	16.1	22.7	13.4	12.6
SBI Blue Chip Fund	16	3.2	9.4	16.3	18.2	14.2	17.2
Kotak Select Focus Fund	15	2.3	11.1	21.3	29.9	18.5	19.3
Franklin India Bluechip	15	1.9	7.1	14.5	17.1	11.4	12.6
UTI Equity Fund	18	3.2	8.3	15.8	16.8	10.7	12.5
UTI Opportunities Fund	15	2.3	7.8	15.1	16.4	8.0	8.7
UTI Mastershare	14	2.5	8.4	16	18.1	10.3	12.0
DSP-BR Top 100	11	2.7	8.8	14.3	21.3	11.4	9.2
L&T Equity Fund	19	2.1	10.0	19.1	24.4	12.1	13.7
<b>Correlation Co-efficient</b>		<b>-0.25</b>	<b>-0.44</b>	<b>-0.17</b>	<b>-0.40</b>	<b>-0.06</b>	<b>-0.08</b>

## 5. Conclusion and suggestions

The portfolio of growth schemes usually comprises of companies with above average growth that reinvest their earnings into expansion, acquisitions and research and development. Here it was found that though schemes had invested in 16 sectors on an average but more than 50% of the funds were invested in just three sectors. This average went up to 62% (two-thirds) if investments in top four sectors were considered, and to 72% (almost three-quarters) if investments in top six sectors were considered. The best performing scheme, JM Multi Strategy had given regular sectors like IT & Pharma a total miss, opting to invest relatively more in Engg & Capital goods(14%), which is the highest investment among all schemes. Kotak Select Focus had the highest investment in Manufacturing sector (7%). The top three schemes were also had least investment in BFSI sectors. Hence it can be seen that even though overall sector selection is broadly similar, the invested amount and a small play in additional sectors have significantly impacted the returns.

Further looking at stock selections in the sectors, it seems that all schemes have more or less similar stock. For instance in the Banking space HDFC, ICICI and SBI are clear favourites even though ICICI and SBI have never outperformed the S&P Bankex Index. On the other hand we have established large cap bank like RBL with relatively better performance over longer periods of time than ICICI and SBI, but Kotak Select Focus is the only scheme investing in it. Similar stock selection trends are seen in almost all the leading sectors, except in the Pharma sector. Here stock selection excluding Sun Pharmaceuticals was a little diverse including even stocks from the mid-cap space. The Tobacco sector in India has only one large cap player ITC, all schemes have invested only in it, though mid-cap players like VST and Godfrey Phillips have performed at par on a long term basis.

Coming to number of stocks invested in each sector, six of the eight sectors ( 45% of its total Assets) reviewed had invested approx. 80% of the sectoral investment in just 2 stocks, seven of the eight sectors ( 50% of the AUM) had invested approx. 90% in just 4 stocks, and seven out of seven (80% of AUM was invested) in approx. 6 stocks. The remaining 20 % of the AUM was invested in eight sectors. Here the stock selection with some exceptions was quite diverse.

Thus on the basis of the above findings one can state that there does not exist much disparity among the schemes, hence an investor actually need not really look beyond returns to assess the schemes.

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