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A COMPARATIVE STUDY OF PERFORMANCE OF MUTUAL FUNDS IN INDIA

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ABSTRACT

The present paper investigates the performance of five large cap mutual fund schemes and five diversified mutual fund schemes from 2014 to 2018. The historical performance of the selected schemes work evaluated on the basis of their performance during the transition of economy which will be useful for investor for taking better investment decision. Factors such as Net assets value and Average yearly returns are considered Along with criteria's such as Performance, Risk, Style, Quality, diversification and Consistency.

Key Words: Mutual Funds, Performance, Equity

INTRODUCTION

A **mutual fund** is a professionally managed investment fund that pools money from many investors to purchase securities. These investors may be retail or institutional in nature. Mutual funds have advantages and disadvantages compared to direct investing in individual securities. The primary advantages of mutual funds are that they provide economies of scale, a higher level of diversification, they provide liquidity, and they are managed by professional investors. On the negative side, investors in a mutual fund must pay various fees and expenses. Primary structures of mutual funds include open-end funds, unit investment trusts, and closed-end funds. Exchange-traded funds (ETFs) are open-end funds or unit investment trusts that trade on an exchange. Mutual funds are also classified by their principal investments as money market funds, bond or fixed income funds, stock or equity funds, hybrid funds or other. Funds may also be categorized as index funds, which are passively managed funds that match the performance of an index, or actively managed funds. Hedge funds are not mutual funds; hedge funds cannot be sold to the general public and are subject to different government regulations.

Average Annual Total Return

Mutual funds in the United States are required to report the average annual compounded rates of return for one-, five-and ten year-periods using the following formula:[19]

$P(1+T)^n = ERV$

Where:

P = a hypothetical initial payment of $1,000

T = average annual total return

n = number of years

ERV = ending redeemable value of a hypothetical $1,000 payment made at the beginning of the one-, five-, or ten-year periods at the end of the one-, five-, or ten-year periods (or fractional portion)

Market capitalization

Market capitalization equals the number of a company's shares outstanding multiplied by the market price of the stock. Market capitalization is an indication of the size of a company. Typical ranges of market capitalizations are:

- Mega cap - companies worth $200 billion or more
- Big/large cap - companies worth between $10 billion and $200 billion
- Mid cap - companies worth between $2 billion and $10 billion
- Small cap - companies worth between $300 million and $2 billion
- Micro cap - companies worth between $50 million and $300 million
- Nano cap - companies worth less than $50 million

Net asset value

A fund's net asset value (NAV) equals the current market value of a fund's holdings minus the fund's liabilities. (This figure may also be referred to as the fund's "net assets"). It is usually expressed as a per-share amount, computed by dividing net assets by the number of fund shares outstanding. Funds must compute their net asset value according to the rules set forth in their prospectuses; most compute their NAV at the end of each business day.

Mutual Funds In India

The first introduction of a mutual fund in India occurred in 1963, when the Government of India launched Unit Trust of India (UTI). UTI enjoyed a monopoly in the Indian mutual fund market until 1987, when a host of other government-controlled Indian financial companies established their own funds, including State Bank of India, Canara Bank and by Punjab National Bank.

Mutual Funds Are an Under-Trapped Market In India

Despite being available in the market less than 10% of Indian households have invested in mutual funds. A recent report on Mutual Fund Investments in India published by research and analytics firm, Boston Analytics, suggests investors are holding back from putting their money into mutual funds due to their perceived high risk and a lack of information on how mutual funds work. There are 46 Mutual Funds as of June 2013.The primary reason for not investing appears to be correlated with city size. Among respondents with a high savings rate, close to 40% of those who live in metros and Tier I cities considered such investments to be very risky, whereas 33% of those in Tier II cities said they did not know how or where to invest in such assets.

Large Cap	Diversified Equity
Kotak select focus	Franklin India prima plus
Franklin india blue chip	HDFC equity
SBI blue chip	ICICI prudential value discovery
ICICI prudential dynamics	Adityabirlasunlife frontline
Axis focus 25	L & T india prudence

OBJECTIVES

1. To Evaluate and compare the performance of equity diversified mutual funds scheme of selected companies.

2. To compare the performance of equity diversified mutual funds scheme of selected companies vis-à-vis the market.

RESEARCH METHODOLOGY

Secondary data is taken as a basis of analysis in this research top five mutual fund schemes having large cap as well as diversified portfolio. Yearly data about closing net asset value of the selected scheme has been collected from www.nseindia.com, www.amfiindia.com, www.Fundpicker.com and www.moneycontrol.com. The most popular and widely tracked nifty is used as a proxy for the market. The reference period for the data is taken from april 2014 to march 2018.

ANALYSIS

1.Large Cap

Equity funds that invest > 75% in CRISIL-defined Large Cap Stocks for a minimum of six out of nine months in each period over the past 3 years.

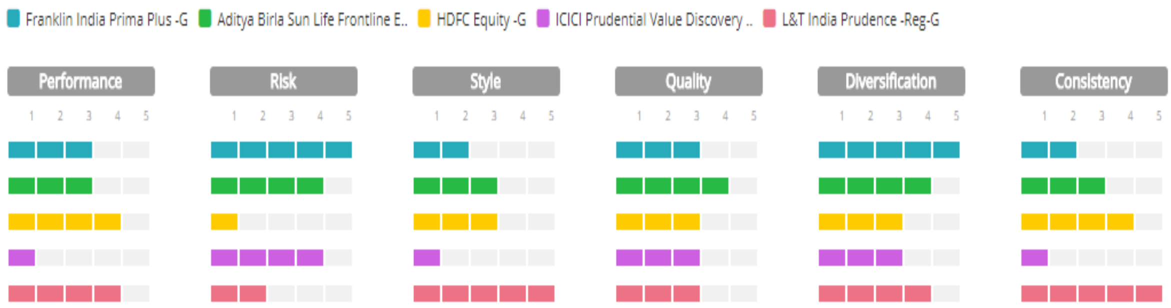
Current NAV and Returns Large Cap Schemes :-

Name	Assets (in crore)	Current NAV	1yr	2yr	3yr	5yr
Kotak select focus	13158.76	33.187	11.7	20.7	14.5	21.6
Franklin india blue chip	6188.71	449.206	9.0	13.0	8.9	14.3
SBI blue chip	13264.78	39.018	14.2	16.7	12.1	18.8
ICICI prudential dynamics	9495.08	259.16	13.2	19.2	11.6	18.5
Axis focus 25	2852.37	27.2	24.3	25.4	17.1	18.6

This table depicts the performance of selected large cap scheme return for a period of 2014-18. it also depicts portfolio returns and scheme returns performance. The 7th column shows scheme wise return for 5 years in which highest return was given by kotakselect focus fund of 21.6 % follwed by SBI blue chip at 18.8%, AXIS focus fund of 18.6% followed by ICICI prudential dynamics 18.5% and Franklin india blue chip focus 14.3%.

2.Diversified Equity

Equity funds which are not specifically Large Cap or Small & Midcap oriented funds and will not include sector funds.



Current NAV and Returns Diversified Equity Schemes

Name	Asset (in crore)	NAV	1 yr	2yr	3yr	5yr
Franklin India prima plus	9650.87	583.17	10.2	14.8	10.7	19.2
HDFC equity	15669.21	616.24	11.3	19.0	11.1	17.1
ICICI prudential value discovery	14066.47	144.50	8.8	12.9	9.1	21.5
Adityabirlasunlife frontline	15075.08	288.17	10.9	17.0	11.0	17.1
L & T india prudence	8932.00	26.61	11.6	16.6	11.9	19.3

This table depicts the performance of top 5 diversified mutual fund in india for period of 2014-18. It also depicts average return provided by the scheme. The 7th column shows the return for 5 years of the selected diversified mutual fund schemes. The highest return was provided by ICICI prudential value discovery fund that is 21.5%, followed by L & T india prudence fund 19.3%, franklin india prima plus 19.2%, HDFC equity 17.1% and adityabirla sun life frontline 17.1%.

3.Debt Mutual fund

Current NAV and Returns Debt Mutual Fund Schemes :-

Scheme Name	Asset (Rs.Cr)	NAV	1st yr%	2nd yr%	3rd yr%	5th yr%
L & T Gilt Fund – Direct (G)	100.05	42.491	1.1	6	6.7	8.9
ICICI Pru Long Term Plan – (G)	547.63	59.50	5.5	8.2	8.0	7.9
Reliance income fund	300.68	54.51	2.7	6.1	6.2	6.7
Templeton Corporate Bond – Direct (G)	6052.42	18.06	7.5	9.0	8.4	9.0
SBi Dynamic bond fund	1858.79	21.26	3.1	7.9	7.9%,	7.2

This table depicts the performance of top 5 diversified mutual fund in india for period of the 2014-18. It also depicts average return provided by the scheme. The 7th column shows the return for 5 years of the selected diversified mutual fund schemes. The highest return was Templeton Corporate Bond – Direct (G)provided 8.9%, followed by L & T Gilt Fund – Direct (G) fund 8.9%, ICICI Pru Long Term Plan – (G) 7.9%, sbi dynamic bond fund 7.2%, reliance income fund 6.7%.

RECOMMODATIONS

Debt return are law, barely matching or only slightly exceeding the rate of inflation. Equity returns have the potential of being much higher but can be volatile. However, the volatility of equity is a relatively short term phenomenon. For period exceeding three to five years, equity investments are extremely likely to give strong positive returns. This is especially true if stick to a broad selection of the relatively large cap companies and if you invest gradually, as in through an SIP.

CONCLUSION

For returns one should invest in debt for short term or equity for long term. Overall all selected mutual funds has performed well ICICI prudential value discovery and L & T india prudence fund have lower level of risk as compared to others in the diversified schemes. Also in Large cap mutual Fund kotak select focus fund and SBI blue chip are comparatively safer than other schemes. Debt funds are very much safer than equity funds but provides comparatively less returns than equity funds. In Debt funds Templeton corporate bonds and L&T guilt funds provide more return than other schemes in the debt market. For an INVESTMENT Various criteria's such as Safety, Risk, Performance, Style, Quality, Consistency and Diversification should be considered by an INVESTOR and based on the RISK TAKING and RISK BEARING Capacity one should select appropriate scheme.

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