



A Study On Portfolio Evaluation Of Birla Sun Life Dividend Yield Plus

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ABSTRACT

This study ascertains the relationship between the movement of market returns & fluctuation in NAV of mutual fund scheme (Birla Sun life Dividend Yield Plus). The monthly average return is used to calculate the return. Standard Deviation and Beta are used to measure the risk associated with return. The risk adjusted return calculations like Sharp, Treynor Ratio and Alpha are used to evaluate the performance of Mutual Fund Scheme.

The observation has been made on during the world economic crisis from September 2008 to April 2009 every fund has seen its downfall, after the economic crisis, due to global factors and internal economic factors has led to a rise in the market. After that market fetches the study return. This study will be used to the investor for evaluating and selecting the best schemes.

Keywords : Risk Adjusted Returns, Portfolio evaluation, Risk free return

Introduction

Mutual funds are financial intermediaries, which collect the savings of investors and invest them in a large and well-diversified portfolio of securities such as money market instruments, corporate and government bonds and equity shares of joint stock companies.

UTI commenced its operations from July 1964. The impetus for establishing a formal institution came from the desire to increase the propensity of the middle and lower groups to save and to invest.

Birla Sun Life Asset Management Company Ltd. (BSLAMC), the investment managers of Birla Sun Life Mutual Fund, is a joint venture between the Aditya Birla Group and the Sun Life Financial Services Inc. of Canada.

Birla Sun Life Asset Management Company has 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.

Problem Definition

In the current economic scenario interest rates and economic conditions are falling and fluctuating. So, investors have more confusion while selecting Investment Avenue. This is primarily, because investments are risky in nature and investors have to consider various factors investing in investment avenues. Therefore the study aims to compare mutual fund schemes in form their risk, return and liquidity and also creating awareness about mutual fund schemes among the investors.

Objectives Of The Study

- To find out the market performance and the scheme performance using Sharp Ratio, Treynor Ratio, Jensen's Alpha and Standard deviation.
- To find out the risk and return of the selected fund.
- To suggest measures to reduce the risk of investors.

Research Methodology

Methodology

Methodologies is a plan of action for a research project and explain in detail how data are collected analyzed and presented, so that they will provide meaningful information.

Research Design

A research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose economy in procedure. In fact, the research design is conceptual; it is the blueprint for the collection, measurement and analysis of data.

Research Type

This research type is an empirical research, Empirical research relies on experience or observation alone, often without due regard for system and theory. It is database research, coming up with conclusions which are capable of being verified by observation or experiment.

Data Collection for Research:

Secondary Data:

The Secondary data for this study was collected from newspapers, books, magazines, the Internet, mutual fund prospectus, offer documents, fact sheets and other literatures.

Tools used in the study:

To find out the best Top Performing Funds to be invested right now in India, the top 5 Funds were chosen based on their NAV's.

These 5 funds were analyzed on the following parameters:

- Standard Deviation.
- Beta.
- The Sharpe ratio.
- The Treynor measure.
- Jensen's Alpha

Data Analysis

Table 3.1 Risk and Return Comparison of Portfolio with Nifty for the Period of April -08 to March -09

Measures	Portfolio	Nifty
Monthly AVG Return	-1.63%	-3.69%
Standard Deviation	8.6058	11.6953
Beta	0.7206	1
Jensen's Alpha	0.9988	
Sharpe Ratio	-0.1988	-0.3215
Treynor Ratio	-2.3740	-3.7601

Interpretation

The above table reveals that this fund the fund has given negative return in the selected period. The portfolio risk was less as compare to the market risk. Here Beta is 0.72 which is less than 1 is referred to as a defensive portfolio. It shows that, this Portfolio has to give 72% of the market return. But it has given Low return when compared to market. The Jensen's Alpha of the fund is 0.9988 positive returns. The Sharpe ratio of Portfolio is -0.1988 while market's ratio is -0.3215, which is negative portfolio. Based on this, the portfolio was able to generate a higher return on a risk-adjusted basis return. A Treynor ratio of -2.3740 has negative returns relative to market-related risk.

TABLE 3.2 Risk and Return Comparison of Portfolio with Nifty for the Period of April -09 to March -10

Measures	Portfolio	Nifty
Monthly AVG Return	5.48%	5.45%
Standard Deviation	8.2354	10.2624
Beta	0.7587	1
Jensen's Alpha	1.3222	
Sharpe Ratio	0.6556	0.5236
Treynor Ratio	7.1163	5.3735

Interpretation

The above table reveals that this fund the monthly average return was higher than the market return. The portfolio risk was less as compare to the market risk. Here Beta is 0.75 which is less than 1 is referred to as a defensive portfolio. It shows that, this Portfolio has to give 75% of the market return. But it has given Low return when compared to market. The Jensen's Alpha of the fund is 1.3222 positive returns. The Sharpe ratio of Portfolio is 0.6556 while market's ratio is 0.5236, which is lesser than portfolio. Based on this, the portfolio was able to generate a higher return on a risk-adjusted basis return. A high Treynor ratio of 7.1163 indicates the portfolio has high returns relative to market-related risk.

Table 3.3 Risk and Return Comparison of Portfolio with Nifty for the Period of April 10 to March -11

Measures	Portfolio	Nifty
Monthly AVG Return	0.84%	0.49%
Standard Deviation	10.3906	9.9578
Beta	1.0432	1
Jensen's Alpha	0.3269	
Sharpe Ratio	0.0731	0.0417
Treynor Ratio	0.7284	0.4151

Interpretation

The above table reveals that this fund the monthly average return was higher than the market return. The portfolio risk was higher than the market risk. Here Beta is 1.04 which is greater than 1 is referred to as an aggressive portfolio. It shows that, this Portfolio has to give 104% of the market return. The Jensen's Alpha of the fund is 0.3269 positive returns. The Sharpe ratio of Portfolio is 0.0731 while market's ratio is 0.0417, which is lesser than portfolio. Based on this, the portfolio was able to generate a higher return on a risk-adjusted basis return. A high Treynor ratio of 0.7284 indicates the portfolio has high returns relative to market-related risk.

Table 3.4 : Risk and Return Comparison of Portfolio with Nifty for the Period of April -08 to March -11

Measures	Portfolio	Nifty
Monthly AVG Return	1.56%	0.75%
Standard Deviation	7.9724	10.1937
Beta	0.7508	1
Jensen's Alpha	0.975	
Sharpe Ratio	0.1860	0.0663
Treynor Ratio	1.9750	0.6762

Interpretation

The above table reveals that this fund the monthly average return was higher than the market return. The portfolio risk was less as compare to the market risk. Here Beta is 0.75 which is less than 1 is referred to as a defensive portfolio. It shows that, this Portfolio has to give 75% of the market return. But it has given Low return when compared to market. The Jensen's Alpha of the fund is 0.975 positive returns. The Sharpe ratio of Portfolio is 0.1860 while market's ratio is 0.0663, which is lesser than portfolio. Based on this, the portfolio was able to generate a higher return on a risk-adjusted basis return. A high Treynor ratio of 1.9750 indicates the portfolio has high returns relative to market-related risk.

Findings Of The Study

- By considering the performance of Birla Sun Life Dividend Yield Plus Growth had highest monthly average return of 1.56%.
- Birla Sun Life Dividend Yield Plus fund had a good Treynor ratio of 1.96, Sharpe ratio of 0.186 and Jensen's alpha of 0.975 which was very high.
- The funds as per returns, beta & standard deviation measure have been ranked. Birla Sun Life Dividend Yield Plus fund has the highest performance & it is ranked on the top.

Suggestions Of The Study

- The investor should understand the objective of the fund i.e. what type of securities the fund manager going to buy.
- While go for long term investments the investor should consider the consistency of the fund performance the investor can find the diversity of portfolio by comparing the portfolios rank in Treynor, Sharpe and Jensen's alpha.
- The outlook for the current year is promising with healthy foreign portfolio investments, better corporate performance and expectations of higher economic growth. So this year may be good for equities and therefore investors who have invested in Debt funds with a equity tilted portfolios must hold on to their investments as the good forecasts can provide them good returns on their equity portions of the Debt funds.
- Trigger options should be allowed for investors to preset their growth targets on different criteria such as date, value, index, capital gains etc.

Conclusion Of The Study

This present study reveals that the return have been compare with to market indices, namely SENSEX and NIFTY which are considered to be the benchmark. The relationship between the fund returns, risks and level of diversification how to identify the well diversified portfolios among a group of portfolio is also studied.

The analysis of results of performance observed that during the world economic crisis from September 2008 to April 2009 every fund has seen its downfall, after the economic crisis, due to global factors and internal economic factors has led to a rise in the market. The year from April 2009 to March 2010 has been favorable for Indian stock market and the economy. From the schemes we have taken for our study, we observed that Birla Sun Life dividend yield plus schemes were performing well. Birla Sun Life Tax Relief 96 fund was not performing as expected return the reason

for its minimal performance is due to the wrong investment technique and policies adopted by the fund manager.

Based on the findings we can conclude that Birla Sun Life dividend yield plus scheme, it has good opportunity to increase its performance. Economic crisis and other factor affected in market the investor carefully chose scheme and investment. There is an opportunity for small investors to invest in mutual funds in particularly Birla Sun Life Asset Management Company can see a good growth in the future.

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