Comparative Analysis of Mutual Fund Schemes in TATA Mutual Funds

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ABSTRACT *A mutual fund is a type of professionally managed collective investment vehicle that pools money from many investors to purchase securities. Our study is about analyzing the various schemes involved in Tata mutual funds and the study needed Beta, Alpha, Standard deviation, Mean, Sharpe ratio and Treynor ratio for analyzing the various schemes. The conclusion is that from every technique we have used Sharpe ratio clearly explains about the priority of investment so we can use that tool to analyze the funds and it can be prescribed to the clients of the company which leads to good profit for both the clients and company.*

INTRODUCTION

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

The flow chart below describes broadly the working of a mutual fund:
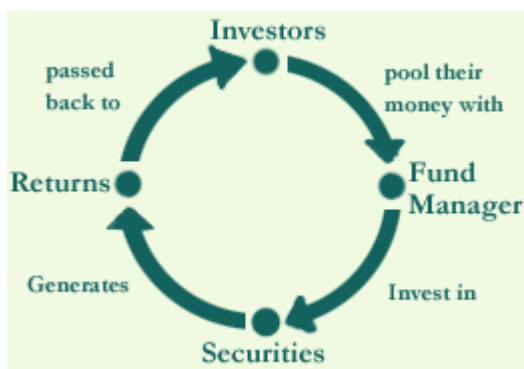
REVIEW OF LITERATURE

Returns from Investing in Equity Mutual Funds 1971 to 1991, BURTON G. MALKIEL observed in his studies and suggest that equity mutual fund managers achieve superior returns and that considerable persistence in performance exists. This study utilizes a unique data set including returns from all equity mutual funds existing each year. These data enable us more precisely to examine performance and the extent of survivorship bias. In the aggregate, funds have underperformed benchmark portfolios both after management expenses and even gross of expenses. Survivorship bias appears to be more important than other studies have estimated. Moreover, while considerable performance persistence existed during the 1970s, there was no consistency in fund returns during the 1980s.

The Persistence of Risk-Adjusted Mutual Fund Performance, Edwin J. Elton, examines in his study that, there is over-whelming evidence that, post expenses, mutual fund managers on average underperform a combination of passive portfolios of similar risk. The recent increase in the number and types of index funds that are available to individual investors makes this a matter of practical as well as theoretical significance. Numerous index funds, which track the S&P 500 index or various small-stock, bond, value, growth, or international indexes, are now widely available to individual investors. These same choices have been available to institutional investors for some time. Given that there are sufficient index funds to span most investors risk choices, that the index funds are available at low cost, and that the low cost of index funds means that a combination of index funds is likely to outperform an active fund of similar risk, the question is, why select an actively managed fund

OBJECTIVES OF THE STUDY

To analyse the NAV behaviour of selected TATA mutual fund schemes and compare the NAV value with Nifty index.

RESEARCH METHODOLOGY

The research design is analytical in nature. The researcher has used facts or information already available to make a critical evaluation of the material.

1. SOURCES OF DATA: The Data is collected from AMFI website.

2. METHOD OF DATA COLLECTION: Secondary data.

3. TOOLS USED FOR THE STUDY:
1. Correlation
2. Standard deviation
3. Alpha
4. Beta
5. Sharpee ratio

4. PERIOD OF ANALYSIS: The analysis of mutual fund scheme was done between 1.01.2013 to 30.04. 2013

5. SAMPLE SIZE: Three TATA Mutual Fund schemes have been taken for carried out this research.
1. TATA Guilt Dividend open ended Fund (GDOF)
2. TATA Special Fund Open Ended (SFOE)
3. TATA Liquid Open High Investment Plan (LOHIV)

ANALYSIS AND INTERPRETATION

MF	Mean	σ	β	α	Sharpe Ratio	Treynor Ratio
GDOF	-0.04	0.28	0.02	-0.04	-0.45	-8.11

SFOE	-0.02	0.37	0.05	-0.02	-0.29	-1.94
OHIP	0.00	0.12	0.00	0.00	-0.64	90.13

TATA Guilt Dividend open ended Fund (GDOF)

Tata guilt dividend open ended for the past one year where the market was in a wide range. In the above table the mean is -0.04 which shows that the movements are negatively fluctuated according to index price movement and according to standard deviation the value shows that the market can deviate further for another 28.

In the above table we have taken NSE as X factor and the share price as Y factor. The beta value shows that when (X) index price moves 1% then the script price(y) will move up to 0.02% accordingly. From alpha value it shows that the price will be the same as like index price as the value is (-0.04). The value of shape is (-45.) which means its not preferred to invest in this share because of low volatility and in Treynor ratio the value is positive(-8.11) so no priority can be given this share based on Treynor ratio.

TATA Special Fund Open Ended (SFOE)

Tata special open ended for the past one year where the market was in a wide range. In the above table the mean is -0.02 which shows that the movements are negatively fluctuated according to index price movement and according to standard deviation the value shows that the market can deviate further for another 0.37.

In the above table we have taken NSE as X factor and the share price as Y factor. The beta value shows that when (X) index price moves 1% then the script price(y) will move up to 0.05% accordingly. From alpha value it shows that the price will come down when compared with index price as the value is (-0.29 which means it's not preferred to invest in this share because of low volatility and in Treynor ratio the value is positive(-1.94) so no priority can be given this share based on Treynor ratio.

TATA Liquid Open High Investment Plan (LOHIV)

Tata liquid open high investment plan for the past one year where the market was in a wide range. In the above table the mean is 0.0 which shows that there is no movement according to the price fluctuation of index and according to standard deviation the value shows that the market can deviate further for another 0.12.

In the above table we have taken NSE as X factor and the share price as Y factor. The beta value shows that when (X) index price moves 1% then the script price(y) will move same like index as the beta value is 0.00. From alpha value it shows that the price remains the same when compared with index price as the value is (0.00) which means it's not preferred to invest in this share because of low volatility. The value of Sharpee is (-.64) which is negative so it's not preferred to invest in this fund using this technique and in Treynor ratio the value is positive90.13) so a high priority can be given to this fund according to the value.

FINDINGS

In Tata guilt dividend open ended fund the mean is -0.04 which shows that the movements are negatively fluctuated according to index price movement and according to standard deviation the value shows that the market can deviate further for another 28. Have taken NSE as X factor and the share price as Y factor. The beta value shows that when (X)

index price moves 1% then the script price(y) will move up to 0.02% accordingly. From alpha value it shows that the price will be the same as like index price as the value is (-0.04). The value of shape is (-45.) which means it's not preferred to invest in this share because of low volatility and in Treynor ratio the value is positive(-8.11) so no priority can be given this share based on Treynor ratio.

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In Tata liquid open high investment plan for the past one year where the market was in a wide range. In the above table the mean is 0.0 which shows that there is no movement according to the price fluctuation of index and according to standard deviation the value shows that the market can deviate further for another 0.12. Have taken NSE as X factor and the share price as Y factor. The beta value shows that when (X) index price moves 1% then the script price(y) will move same like index as the beta value is 0.00. From alpha value it shows that the price remains the same when compared with index price as the value is (0.00) which means it's not preferred to invest in this share because of low volatility. The value of Sharpee is (-.64) which is negative so it's not preferred to invest in this fund using this technique and in Treynor ratio the value is positive 90.13) so a high priority can be given to this fund according to the value.

SUGGESTIONS

The mean value is negative for all the funds so it's preferred to not to take mean value for analysis of mutual funds of the company.

The beta value shows a positive growth in every fund which gives a impact that when the index value goes by 1% then the script value higher than the index value.

In trainer ratio the value is more positive in Tata liquid open high investment so its preferred to invest more in this scheme. And compared to this scheme other schemes have negative impact so it's not preferred to invest in other schemes.

CONCLUSION

The Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. In our study we have selected Tata mutual funds for analysis and have selected five schemes to analyze about the technical factors involved in the study.

The conclusion is that from every technique we have used Sharpe ratio clearly explains about the priority of investment so we can use that tool to analyze the funds and it can be prescribed to the clients of the company which leads to good profit for both the clients and company.

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