ORIGINAL RESEARCH PAPER

Management

'A COMPARATIVE STUDY OF PERFORMANCE OF TOP 5 MUTUAL FUNDS IN INDIA'

KEY WORDS: Mutual fund, risk factor, Risk-return investment, safety, security,

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Introduction:

Mutual Funds have become a widely popular and effective way for investors to participate in financial markets in an easy, low-cost fashion, while muting risk characteristics by spreading the investment across different types of securities, also known as diversification. It can play a central role in an individual's investment strategy. They offer the potential for capital growth and income through investment performance, dividends and distributions under the guidance of a portfolio manager who makes investment decisions on behalf of mutual fund unit holders. Over the past decade, mutual funds have increasingly become the investor's vehicle of choice for long-term investment. It becomes pertinent to study the performance of the mutual fund. The relation between risk-return determines the performance of a mutual fund scheme. As risk is commensurate with return, therefore, providing maximum return on the investment made within the acceptable associated risk level helps in segregating the better performers from the laggards. Many asset management companies are working in India, so it is necessary to study the performance of it which may be useful for the investors to select the right mutual fund.

A mutual fund is a common pool of money into which investors with common investment objectives place their contributions that are to be invested, in accordance with the stated objective of the scheme. The investment manager invests the money collected into assets that are defined by the stated objective of the scheme. For example, an Equity fund would invest in Equity and Equity related instruments and a Debt fund would invest in Bonds, Debentures, Gilts etc.

The most important variable that decides whether you will meet your target or not is the nature of the actual investments. The first step in getting this right is to decide what kind of asset class you need to invest in. Asset class refers to debt or equity. This is the primary decision you will have to make.

Objectives

The main reasons behind studying this topic are:

1. To evaluate and compare the performance of equity diversified mutual fund schemes of selected companies
2. To compare the performance of equity diversified mutual fund schemes of selected companies' vis-ŕ-vis the market.
3. To study change in investment pattern

Research Methodology

Secondary data is taken as a basis of analysis in this research. Top five asset management companies is selected as per AUM as on March 2016. Five equity diversified mutual fund schemes, debt mutual funds and hybrid funds etc each from selected AMCs is selected randomly. Daily data about the closing Net Asset Value of the selected schemes has collected from the websites www.indiainfoline.com and www.nseindia.moneycontrol.com. The most popular and widely tracked NSE SENSEX is used as a proxy for the market. The reference period for the data is taken from March 2011 to March 2016.

Data Analysis:

a) Equity diversified (Table 1)

Scheme name	Asset (Rs. Cr)	NAV	1w %	3w %	6w %	1y %	3y %	5y %
ICICI Pru Exp&Other Services- DP (G)	7.31	28.59	1.1	4.6	15.3	31.1	45.0	--
ICICI Pru Exp&Other Services- RP (G)	183.34	28.39	1.1	4.6	15.1	30.6	44.2	82.5
ICICI Pru US Bluechip - Direct (G)	11.65	15.82	0.6	1.1	4.0	15.7	42.9	--
ICICI Pru US Bluechip Equity (G)	180.65	15.70	0.6	1.0	3.8	15.3	42.3	--
Birla SL Intl. Equity A -Direct (G)	8.62	15.96	0.1	-0.4	3.7	11.8	30.7	--

Interference:

Table 1 depicts the performance of selected equity diversified schemes return for a period of 2011 to 2016. It also depicts the average Portfolio return and scheme return performance in comparison to the benchmark.

The fifth column shows the schemes-wise return for five years in which gives highest return of 82.5% in the year 2014 by ICICI Pru Exp & Other Services-RP (G)and also from the inception. It is followed by ICICI Pru Exp &Other Services-DP (G), ICICI Pru US Bluechip - Direct (G), ICICI Pru US Bluechip Equity (G) and Birla SL Intl. Equity A -Direct (G) with 45.0, 42.9, 42.3, 30.7 return respectively.

In all five years duration ICICI Pru Exp &Other Services-RP (G) is performed well compared to others schemes.

b) Debt Long Term (Table 2)

Scheme name	Asset (Rs. Cr)	NAV	1w %	3w %	6w %	1y %	3y %	5y %
L&T Gilt Fund - Direct (G)	38.90	29.58	0.2	2.1	2.3	5.3	9.6	--
ICICI Pru Long Term Plan (G)	57.26	13.80	0.2	0.7	2.6	5.3	9.6	20.4
ICICI Pru Long Term - Direct (G)	3.04	13.80	0.2	0.7	2.6	5.3	9.6	--
Templeton Corporate Bond-Direct (G)	36.96	12.48	0.2	1.0	2.8	6.4	9.4	--
ICICI Pru Long Term Plan-PP (G)	5.02	13.63	0.1	0.7	2.5	5.2	9.3	19.8

Interference:

Table 2 depicts the performance of selected Debt Long Term return for a period of 2011 to 2016. It also depicts the average Portfolio return and scheme return performance in comparison to the benchmark.

The fifth column shows the schemes-wise return for five years in which gives highest return of 20.4% in the year 2014 by ICICI Pru Long Term Plan (G)and also from the inception followed by ICICI Pru Long Term Plan-PP (G) with return of 19.8% . It is followed by L&T Gilt Fund - Direct (G), ICICI Pru Long Term - Direct (G) and Templeton Corporate Bond-Direct (G), with 9.6, 9.6 and 9.4% for third year return respectively.

In all five years duration, ICICI Pru Long Term Plan (G) and ICICI Pru Long Term Plan-PP (G is performed well compared to others schemes.

c) Hybrid: Top 5 funds in India (Table 3)

Scheme name	Asset (Rs. Cr)	NAV	1w %	3w %	6w %	1y %	3y %	5y %
FT (I) FF US Opp. - Direct (G)	47.14	17.97	1.0	2.2	7.8	21.3	55.1	--
FT (I) Feeder-Franklin US Opp. (G)	455.13	17.77	1.0	2.1	7.5	20.6	53.5	--

DSP BR US Flexible* Eqty-Direct (G)	46.81	15.25	--	1.6	7.1	16.5	44.8	--
DSP BR US Flexible* Equity Fund (G)	36.09	15.14	--	1.5	7.0	16.2	43.8	--
DWS Top Euroland Offshore Fund (G)	3.96	13.18	-0.4	0.9	3.1	17.1	29.3	53.4

Interference:

Table 3 depicts the performance of selected Hybrid: Top 5 funds in India for a period of 2011 to 2016. It also depicts the average Portfolio return and scheme return performance in comparison to the benchmark.

The fifth column shows the schemes-wise return for five years in which gives highest return of 20.4% in the year 2014 by DWS Top Euroland Offshore Fund (G). It is followed by FT (I) FF US Opp. - Direct (G), FT (I) Feeder-Franklin US Opp. (G), DSP BR US Flexible* Eqty-Direct (G)and TDSP BR US Flexible* Equity Fund (G) with 55.1, 53.5, 44.8 and 43.8 % for third year return respectively.

In all five years duration, DWS Top Euroland Offshore Fund (G) is performed well compared to others schemes.

Interpretation:

Different types of mutual funds have different levels of volatility or potential price, and those with the greater chance of losing value are also the funds that can produce the greater returns for you over time. So risk has two sides: it causes the value of your investments to fluctuate, but it is Precisely thereasonyou can expect to earn higher returns.

Conventionally, the difference between debt and equity is the risk involved. Debt is that encompasses bank deposits, government-backed deposits, other deposits as well as mutual funds that invest in debt paper.

Equity means stocks as well as equity mutual funds. Everyone knows that debt is less risky than equity, and that's true. However, for the purpose of planning a targeted investment, it's more useful to think of debt and equity in a different manner.

The important difference between the two is that their risk and return curve varies in a very different way over different time-scales. Debt returns are predictable and there are many government-guaranteed deposits available to the Indian investor.

Risk then, refers to the volatility - the up and down activity in the markets and individual issues that occur constantly over a period of time. This volatility can be caused by a number of factors - interest rate changes, inflation or general economic conditions. It is this variability, uncertainty and potential for loss, that causes investors to worry. We all fear the possibility that a stock we

invest in will fall substantially. But it is this very volatility that earns higher long-term returns from these investments, than from a savings account.

Recommendations:

Debt returns are low, 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 periods 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.

Speaking in terms of risk, this means that instead of saying that equity has higher risk, we should actually be saying that equity's risk drops over time and at a long enough timescale, the returns-to-risk ratio becomes far more attractive than debt. And there's the point about how all this fits into your targeted investment goals. The formula is simple — debt for the short-term, and equity for the long-term.

Managing director, Vivek Kudva India and central and Eastern Europe, Middle East and Africa, Franklin Templeton Investments is of the opinion that "There has been a substantial increase in interest for fixed income mutual funds (especially among high net worth individuals)—a reflection of the growing awareness of the category. Over the last year or so, corporate bond funds focused on high coupons had seen increased flows. In recent months, there has been a shift in favour of long bond funds with relatively higher maturities (both gilts and corporate bonds), as investors were looking to take advantage of the expected fall in interest rates. On the equity side, sharp rallies have resulted in profit booking in equity funds while periods of market corrections have seen positive net flows.

CONCLUSION:

Local investors rushed to exit equity funds in January and shifted focus to debt in anticipation of a low interest rate regime in the coming quarters.

Mutual fund investors pulled out a record Rs.4,713 crore from equity schemes of asset management companies (AMCs), the highest in any January and also the highest monthly redemption of equity schemes in 27 months.

While equities saw the highest monthly redemption ever, AMCs' debt schemes attracted Rs.43,804.7 crore—the highest inflow in any January.

Overall, all selected mutual fund companies have positive return during 2009 to 2014.. ICICI mutual fund has performed well. Birla SL Intl. Equity A -Direct (G) and DWS Top Euroland Offshore Fund (G) mutual fund have lower level of risk compare to Franklin and DSP.

The rise in stock prices encouraged investors to book profits and shift money to debt schemes because the latter will generate healthy returns when interest rates soften, fund managers said. Clearly, investors are not convinced the stock market will continue to rise, with key indices touching a new high this year.

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