

Comparative Analysis of Sectoral Funds v/s Multi Cap Funds in ADITYA BIRLA SUN LIFE MUTUAL FUND

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Abstract

The mutual fund plays a major role in the investment pattern in today's world. Mutual fund is one of the fastest growing sectors in India and plays significant role in the Indian capital market. A number of mutual fund schemes are available for investors to gain. India is one of the largest and most important emerging market nations. Since 2010, Indian benchmark indices have shown a strong uptrend. A mutual fund is an ideal investment vehicle where number of investors pools their money with common investment goal. Each mutual fund with different type of schemes is managed by respective AMC (Asset Management Company). An investor can invest his/her money in one or more schemes of mutual fund according to his/her choice and becomes the unit holder of the scheme.

In this paper the attempt has been made to analyze the Comparative Analysis of Sectoral Funds v/s Multi Cap Funds in Aditya Birla Sun Life Mutual Fund on the basis of their NAV (Net asset value). The primary objective of the study is to compare the performance of sectoral funds with multi cap funds at Aditya Birla Sun Life Mutual Fund. In this study the four Aditya Birla AMC Schemes have been selected two schemes from sectoral funds and two schemes from multi cap funds. And then compared the performance of selected four Aditya Birla AMC Schemes on the basis of their NAV and after that comparison made with Nifty 50 closing prices, The main Statistical tools used for the study are: Portfolio Returns, Beta, Alpha, Standard Deviation, Sharpe ratio, Treynor's ratio and Jensen's ratio. From the Analysis, it is found that the sectoral funds performance is good and less risky as compared to multi cap funds.

Key words: *Mutual fund, Net Asset Value, Schemes, Benchmark Index scenario*

INTRODUCTION

Many of the financial instruments mutual funds are one of the most attractive financial instruments that plays a vital role in the economy of a country. Mutual fund schemes provide new opportunities for investors. Mutual fund industry was introduced in India 1963 with the formation of Unit Trust of India (UTI). During the last few years many extraordinary and rapid changes have been seen in the mutual fund industry. Therefore, due to the changed environment it becomes important to investigate the mutual fund performance. The need for evaluating the performance of mutual fund schemes in India to see whether the mutual fund schemes are outperforming or underperforming than the benchmark and to see the competency of schemes to make out a strong case for investment.

A study will help the organization in knowing how the sector and multi cap funds are performing and which schemes are preferred most by the investor and to know the benefits available for investing in these funds.

HISTORY OF MUTUAL FUNDS:

The modern mutual fund was first introduced in Belgium in 1822. His form of investment soon spread to Great Britain and France. Mutual funds became popular in the united states in the 1920s and continue to be popular since the 1930s, especially open- end mutual funds. Mutual funds experienced a period of tremendous growth after World War II, especially in the 1980s & 1990s. LIC established its mutual fund in June 1989 while GIC had setup its mutual fund in December 1990. With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first mutual fund regulations came into being, under which all the mutual funds, except UTI were to be registered and governed. The UTI with Rs. 44,541 Crs of assets under management was way ahead of other mutual funds. In February 2003, following the repeal of the UTI act 963 UTI was bifurcated into two separate entities. One is the specified under taking of the UTI with assets under management of Rs. 29,835 Crs as at the end of January 2003, representing broadly, the assets of us 64 schemes, assured return and certain other schemes.

OBJECTIVES OF MY RESEARCH:

- To compare the performance of multi cap funds with sector funds at Aditya Birla Sun Life Mutual Fund.
- To compare the risk & return of multi cap funds with sector funds.
- To identify the better sector for investment.

BASIC CONCEPTS AND TERMS:**Net Asset Value (NAV)**

The net asset value of the fund is the cumulative market value of the assets fund of its liabilities. It is calculated simply by dividing the net asset value of the fund by the number of units outstanding.

Asset Management Company (AMC)

An Asset Management Company (AMC) is a highly regulated organization that pools money from investors and invests the same in a portfolio.

STATISTICAL TOOLS USED:

The present study made an attempt to analyze the performance of the selected mutual fund schemes in order to achieve the objectives. Different relevant and advanced statistical tools have been employed for analyzing the performance of selected mutual funds.

RETURN:

A return is the money made or lost on an investment over some period of time.

BETA:

Beta is a measure of the volatility of a particular fund in comparison to the market as a whole, that is, the extent to which the funds return is impacted by market factors beta value which is below 1.0 indicate the fund is low risk category, the value which is more than 1.0 indicate the fund is in high risk category.

ALPHA:

The measure of alpha shows the price risk apart from the performance of fund. Positive alpha means the fund has outperformed with its benchmark index, where a negative alpha indicates that a fund had underperformed with its benchmark index. The positive alpha is the healthier for investors.

STANDARD DEVIATION (SD):

The measure of SD indicates the volatility. SD evaluates the volatility of fund. The standard deviation of a fund measures the risk by measuring the degree to which the fund fluctuates in relation to its average return of a fund over a period of time. A higher SD number indicates that the NAV of the mutual fund is more volatile and, it is riskier than a fund with a lower SD.

SHARPE RATIO:

Sharpe ratios are used for risk adjusted measure for a fund. SR is another important measure that evaluates the return that a fund has generated relative to the risk taken. Risk here is measured by SD (Standard Deviation). This ratio helps an investor to know whether it is a safe to invest in this fund by taking the quantum of risk. A mutual fund with a higher SR is better because it implies that it has generated higher returns for every unit of risk that was taken. On the contrary, a negative share ratio indicates that a risk-free asset would have performed better than the fund being analyzed.

TREYNOR'S RATIO:

Treynor's ratio is a measurement of the returns earned in excess of what could have been earned on a riskless investment. Higher the Treynor's Ratio is meant the better portfolio.

JANSEN'S RATIO:

It measures the difference between market risk and actual performance of the fund. The jansen's measure calculates the excess returns that a portfolio generates over its expected return. the higher the ratio better the risk adjusted returns.

SCHEMES THAT ARE TAKEN FOR ANALYSIS:**1. Aditya Birla Sun Life Equity Fund:**

Investment Objectives: The objective of the scheme is long term growth of capital, through a portfolio with a target allocation of 90% equity and 10% debt and money market securities.

2. Aditya Birla Sun Life Equity Advantage Fund:

Investment Objective: The objective of the scheme is to achieve long-term growth of capital, at relatively moderate level of risk through a diversified research based investment in large and mid cap companies.

3. Aditya Birla Sun Life Infrastructure Fund:

Investment objectives: it seeks to provide medium to long-term capital appreciation, by investing predominantly in a diversified portfolio of equity and equity related securities of companies that are participating in the growth and development of infrastructure in India.

4. Aditya Birla Sun Life Banking and Financial Services Fund:

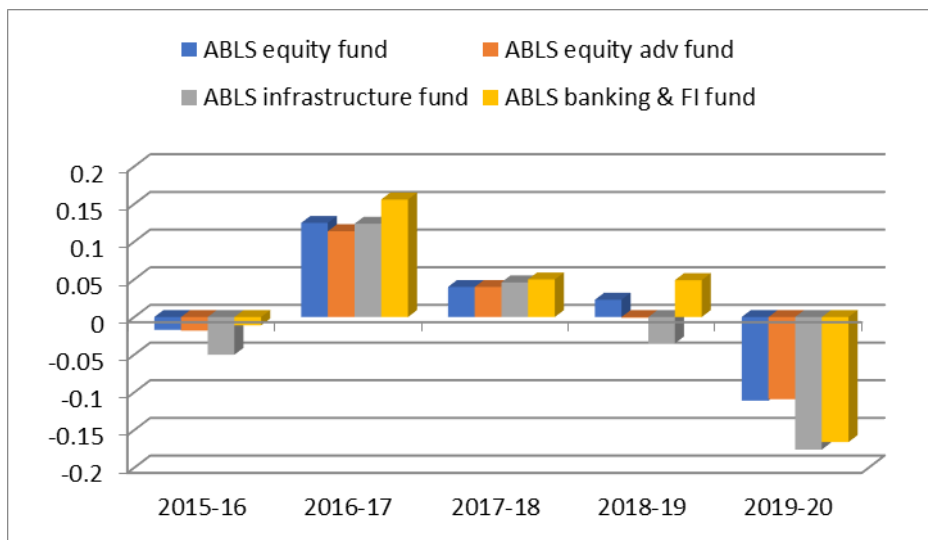
Investment Objective: The primary investment objective of the scheme is to generate long-term-capital appreciation to unit holders from a portfolio that is invested predominantly in equity & equity related securities of companies engaged in banking and financial services.

ANALYSIS AND INTERPRETATION

RETURN ON PORTFOLIO (RP):

Year	<u>MULTICAP FUNDS</u>		<u>SECTORAL FUNDS</u>	
	Equity fund	Equity adv fund	Infrastructure fund	Banking & Fs fund
2015-16	-0.017	-0.018	-0.050	-0.011
2016-17	0.125	0.114	0.124	0.156
2017-18	0.040	0.040	0.046	0.050
2018-19	0.023	-0.001	-0.035	0.049
2019-20	-0.111	-0.109	-0.176	-0.166

(Table 1: Showing the RP (RETURN ON PORTFOLIO) of 4 selected schemes)



(Chart 1: Showing the RP (RETURN ON PORTFOLIO) of 4 selected schemes)

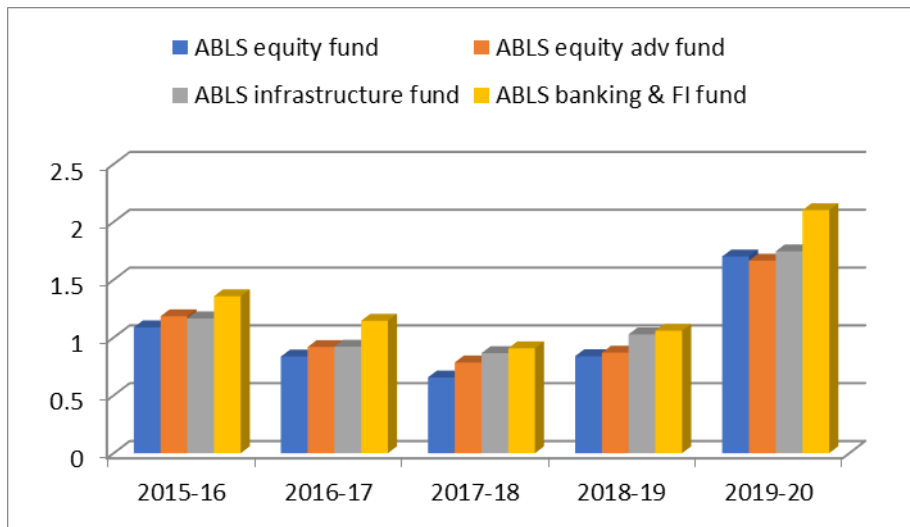
INTERPRETATION:

From the above table we can interpret that ABSL banking & Fs fund returns are good and high as compared to other funds. In the year 2016-17, 2017-18 & 2018-19 ABSL banking & Fs fund has shown good returns but again it has decreased in the year 2019-20 from 0.049 to -0.166. ABSL banking & Fs fund has shown high return in the year 2016-17 i.e. 0.156 as compared among all the 4 funds. So **ABSL banking & Fs fund** is preferable for investors.

STANDARD DEVIATION (SD):

Year	<u>MULTICAP FUNDS</u>		<u>SECTORAL FUNDS</u>	
	Equity fund	Equity adv fund	Infrastructure fund	Banking & Fs fund
2015-16	1.088	1.184	1.165	1.357
2016-17	0.836	0.918	0.921	1.145
2017-18	0.655	0.784	0.865	0.907
2018-19	0.838	0.869	1.027	1.059
2019-20	1.701	1.665	1.745	2.101

(Table 2: Showing the SD (STANDARD DEVIATION) of 4 selected schemes)



(Chart 2: Showing the SD (STANDARD DEVIATION) of 4 selected schemes)

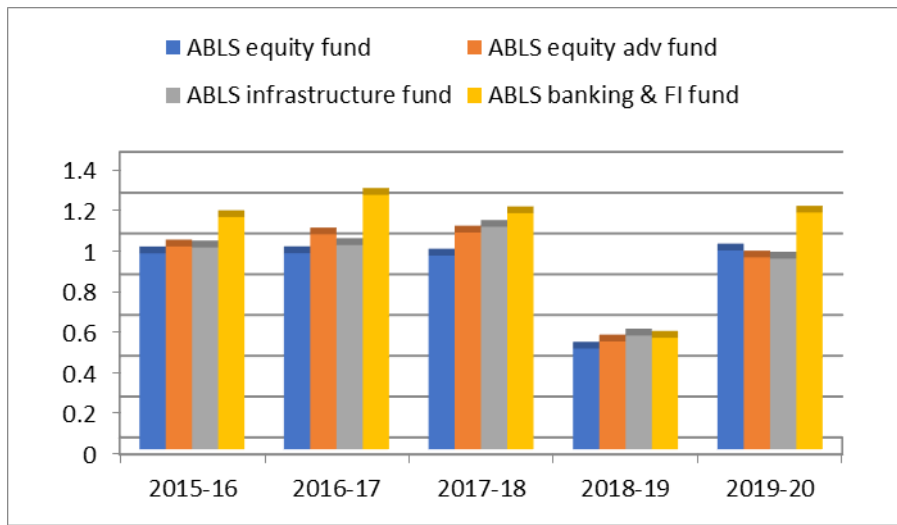
INTERPRETATION:

From the above table we can interpret that lesser the SD lesser will be the risk and volatility. ABSL Equity fund has shown a good performance as compare to other funds in all the five years. In the year 2017-18 the SD value for ABSL Equity fund is 0.655 which is less as compared to all other funds which shows that ABLs equity fund has less risk and low volatility. So **ABSL Equity fund** is preferable for investors.

BETA:

Year	<u>MULTICAP FUNDS</u>		<u>SECTORAL FUNDS</u>	
	Equity fund	Equity adv fund	Infrastructure fund	Banking & Fs fund
2015-16	0.961	0.995	0.990	1.139
2016-17	0.962	1.054	1.002	1.248
2017-18	0.950	1.063	1.091	1.158
2018-19	0.494	0.529	0.558	0.547
2019-20	0.975	0.941	0.935	1.161

(Table 3: Showing the BETA of 4 selected schemes)



(Chart 3: Showing the BETA of 4 selected schemes)

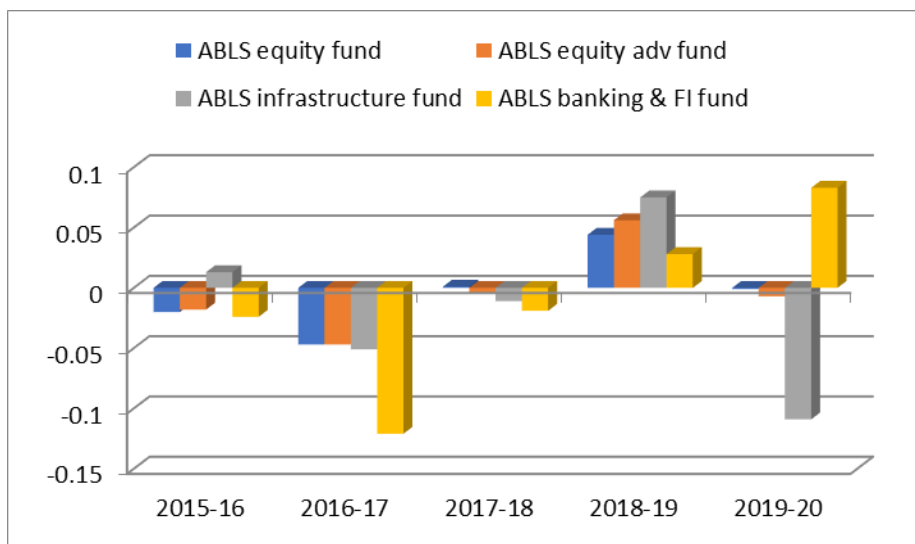
INTERPRETATION:

From the above table we can interpret that the beta for ABSL Equity fund has shown a consistency from the year 2015 to 2018 but in the year 2018-19 it has decreased to 0.494. ABSL Equity fund performance is good because the beta values are less than 1. ABSL Banking and financial service fund has high risk and high volatility in the year 2016-17 i.e. 1.248. From the above chart we can say that **ABSL equity fund** is preferable because its performance is good as compared to other three funds.

ALPHA:

Year	<u>MULTICAP FUNDS</u>		<u>SECTORAL FUNDS</u>	
	Equity fund	Equity adv fund	Infrastructure fund	Banking & Fs fund
2015-16	-0.020	-0.018	0.013	-0.024
2016-17	-0.047	-0.047	-0.051	-0.121
2017-18	0.001	-0.004	-0.011	-0.019
2018-19	0.044	0.056	0.075	0.028
2019-20	-0.001	-0.007	-0.109	0.083

(Table 4: Showing the ALPHA of 4 selected schemes)



(Chart 4: Showing the Alpha of 4 selected schemes)

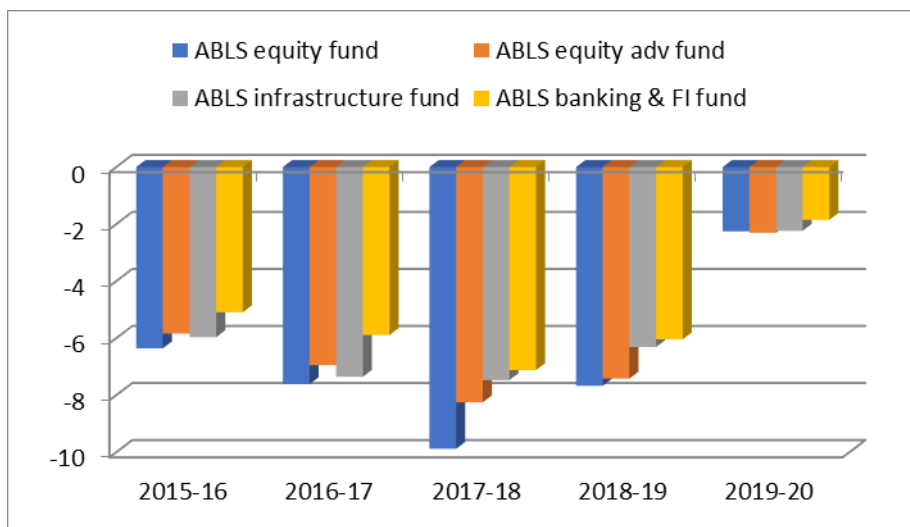
INTERPRETATION:

From the above table we can interpret that ABSL Banking & Financial service fund is considered as a good scheme for investors because alpha value is high and positive in the year 2019-20 i.e. 0.083. It indicates that fund is outperforming the market as compared to all other three funds so ABSL Banking & Financial service fund is preferable.

SHARPE RATIO:

Year	<u>MULTICAP FUNDS</u>		<u>SECTORAL FUNDS</u>	
	Equity fund	Equity adv fund	Infrastructure fund	Banking & Fs fund
2015-16	-6.358	-5.842	-5.968	-5.091
2016-17	-7.616	-6.946	-7.355	-5.891
2017-18	-9.880	-8.250	-7.473	-7.121
2018-19	-7.673	-7.420	-6.314	-6.044
2019-20	-2.258	-2.306	-2.238	-1.854

(Table 5: Showing the SHARPE RATIO of 4 selected schemes)



(Chart 5: Showing the Sharpe Ratio of 4 selected schemes)

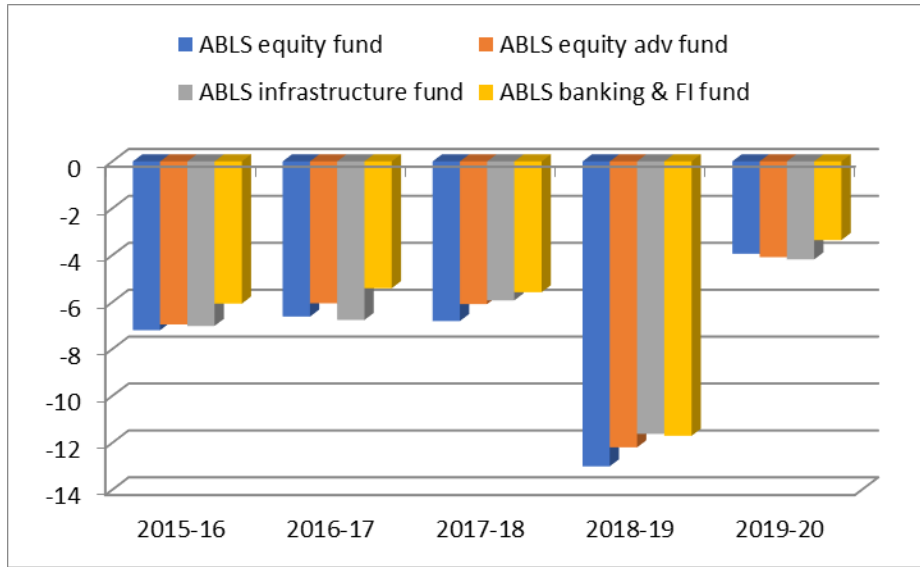
INTERPRETATION:

From the above table we can interpret that Sharpe Ratio showing all negative values which is the indication of bad performance of the company. By seeing the above chart we can say that there is high risk & more volatility. So no Sharpe ratio is good in all among the 4 funds but **ABSL banking & Fs fund** is preferable because in the year 2019-20 ABSL banking & Fs fund value is -1.854 which is high as compared to other three funds. So **ABSL banking & Fs fund** is preferable among all the 4 funds.

TREYNOR'S RATIO:

Year	<u>MULTICAP FUNDS</u>		<u>SECTORAL FUNDS</u>	
	Equity fund	Equity adv fund	Infrastructure fund	Banking & Fs fund
2015-16	-7.199	-6.955	-7.018	-6.067
2016-17	-6.618	-6.050	-6.760	-5.405
2017-18	-6.811	-6.087	-5.926	-5.578
2018-19	-13.004	-12.193	-11.616	-11.700
2019-20	-3.941	-4.080	-4.178	-3.356

(Table 6: Showing the Treynor's Ratio of 4 selected schemes)



(Chart 6: Showing the Treynor's Ratio of 4 selected schemes)

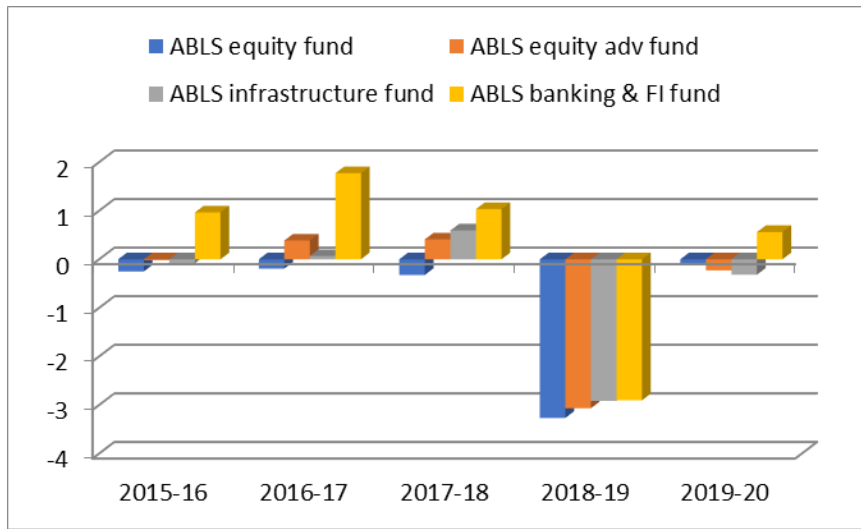
INTERPRETATION:

From the above data we can interpret that **ABSL banking & Fs fund** is preferable among all the 4 funds. Because in the year 2019-20 ABLS banking & Fs fund value is -3.356 which is high as compared to other three funds.

JENSEN'S RATIO:

Year	<u>MULTICAP FUNDS</u>		<u>SECTORAL FUNDS</u>	
	Equity fund	Equity adv fund	Infrastructure fund	Banking & Fs fund
2015-16	-0.252	-0.018	-0.081	0.964
2016-17	-0.193	0.386	0.067	1.773
2017-18	-0.323	0.409	0.594	1.034
2018-19	-3.267	-3.068	-2.915	-2.902
2019-20	-0.099	-0.227	-0.317	0.562

(Table 7: Showing the Jensen's Ratio of 4 selected Schemes)



(Chart 7: Showing the Jensen's Ratio of 4 selected Schemes)

INTERPRETATION:

From the above data we can interpret that ABSL banking & Fs fund performance is good in all the five years as compared to other funds. ABSL equity fund has shown a worst performance in all the five years so it is not at all preferable for the investors.

CONCLUSION:

In this project, comparisons have been done with the help of statistical tools like Returns, Standard deviation, Beta, Alpha, Sharpe, Treynor's, & Jansen's Ratio. ABSL Banking & Fs fund has shown a good performance as compared to ABSL Equity fund, ABSL Equity Advantage fund & ABSL infrastructure fund. Therefore, By analyzing the four selected schemes performance it has been found that sectoral funds of ADITYA BIRLA SUN LIFE MUTUAL FUND is less risky and also giving fair returns.

It is suggested that the Sharpe & Treynor's ratio has shown a worst performance so company should improve their performance for their future benefit. Company has to improve the performance of ABSL Equity advantage fund and ABSL infrastructure fund.

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