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PERFORMANCE ANALYSIS OF SECTOR FUNDS WITH RESPECT TO KARVY STOCK BROKING LTD

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ABSTRACT

Mutual Fund industry, today, is a standout amongst the most favored venture alternatives everywhere throughout the world. It likewise assumes a significant part in financial advancement of a nation alongside the alleviated or expanded hazard. Common Fund is the most secure approach to get wage from the business sectors. This study, done in KARVY Stock Broking Ltd., focuses on analyzing evaluates the performance of selected mutual fund schemes, belonging to selected category of schemes, using standard deviation, return, beta, Sharpe, Treynor's ratio and Jensen measure. Reliance Mutual Fund, Sundaram Mutual Fund, Birla Sun Life Mutual Fund, Taurus Mutual Fund and SBI Mutual Fund are the Fund House considered for the study.

KEYWORDS: Karvy, Sector Funds, Standard deviation, Return, Beta, Sharpe, Treynor's ratio and Jensen measure

INTRODUCTION: (1993-2003 (ENTRY OF PRIVATE SECTOR FUNDS))

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 mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.

The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores. The Unit Trust of India with Rs. 44,541 crores of assets under management was way ahead of other mutual funds.

REVIEW OF LITERATURE

Dhume and Ramesh (2011) examined the performance of the sector funds. The sectors considered were Banking, FMCG, Infrastructure, Pharma and Technology. The review utilized distinctive methodologies of execution measures Findings of study uncovered that all the sector funds have uniquely performed in the market when compared with infrastructure funds.

Vijayakumar, Muruganandan and Rao (2012) in their review analyzed the relationship between fund performance and fund characteristics with 14 open-ended assets of funds from 2004 to 2008. The reserve execution was measured by funds returns processed on the premise of day by day NAV. The reserve attributes factors utilized as logical variable in the estimation included standard deviation as a measure of hazard, turnover proportion, wage proportion, finance estimate measured by normal net resources and costs proportion. Three strategies for board information display, in particular, normal steady technique, FEM and REM were utilized. The review found a solid positive relationship between fund performance and fund riskiness proxies by standard deviation of return, store size and costs proportion. There was negative relationship between fund performance and turnover ratio. It was found that fund manager effectively managed large-size funds.

Gill and Arshdeep (2012) in their study investigated the selectivity and market timing ability of mutual fund managers in India by using the Jensen, Treynor and Mazuy and Henriksson and Merton models for the period 2002-06. The study was based on a sample of 97 open-ended mutual fund schemes consisting of 56 growth schemes and 41 schemes of dividend option.

Poonam M Lohana (2013) on her paper studied the performance of selected schemes of mutual funds based on risk-return relationship models and measures: Treynor ratio, Sharpe ratio, Jensen's alpha. To assess the execution month to month returns are contrasted and market returns.

Meenakshi Garg (2014)**,** in her paper examined the trends in terms of growth, size, volume, etc of Mutual Funds in India and evaluated the financial performance of these schemes. She suggested certain measures relating to functioning of mutual funds.

RESEARCH METHODOLOGY

This study, evaluates the performance of selected mutual fund schemes, belonging to selected category of schemes, using standard deviation, return, beta, Sharpe, Treynor's ratio and Jensen measure. Reliance Mutual Fund, Sundaram Mutual Fund, Birla Sun Life Mutual Fund, Taurus Mutual Fund and SBI Mutual Fund are the Fund House considered for the study.

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Sector Fund Category

- Reliance Diversified Power Sector Fund - RP (G)

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The primary investment objective of the scheme is to seek to generate continous returns by actively investing in equity and equity related or fixed income securities of Power and other associated companies.

Fund Type – Open ended

Launch Date – April 15, 2004

- Sundaram Infrastructure Advantage Fund (G)

The primary investment objective of the scheme is to generate consistent long-term returns by investing predominantly in equity/equity-related instruments of companies in the capital goods sector.

Fund Type – Open ended

Launch Date – September 5, 2005

- Birla SunLife Infrastucture Fund (G)

It is an open-ended growth scheme with the objective to providing for 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.

Fund Type – Open ended

Launch Date – February 24, 2006

- Taurus Infrastructure Fund (G)

To provide capital appreciation and income distribution to unit holders by investing pre-dominantly in equity and equity related securities of the companies belonging to infrastructure sector it's related industries inclusive of suppliers of capital goods, raw materials and other supportive services to infrastructure companies and balance in debt and money market instruments.

Fund Type – Open ended

Launch Date – March 5, 2007

- SBI Infrastructure Fund - Series I (G):

To provide investors with opportunities for long-term growth in capital through an active management of investments in a diversified basket of equity stocks of companies directly or indirectly involved in the infrastructure growth in the Indian economy and in debt & money market instruments.

Fund Type – Open ended

Launch Date – May 11, 2007quotation marks only when a complete thought or name is cited, such as a title or full quotation. When quotation marks are used, instead of a bold or italic typeface, to highlight a word

ANALYSIS AND FINDINGS

NAV values were measured and represented in Table 1. From Table 1, of NAV movements it is seen that in the year 2011 all the schemes made an upward movement. Even in year 2012 NAV values of the selected schemes showed a small upward movement. In the year 2013, the impact of recession could be seen in the NAV values of the selected schemes, making a downward movement. In the year 2014, the NAV values stabilized but in 2015 it was again affected by the weak market condition. In year 2016, the values again strike up with Birla Sun Life Infrastructure showing a very good hike.

Table I: Table Showing the NAV Values of Selected Sector Schemes

	NAV VALUES				
Date	**Reliance Diversified Power Sector Fund - Retail Plan (G)**	**Sundaram Infrastructure Advantage Fund-Regular Plan (G)**	**Birla Sun Life Infrastructure Fund (G)**	**Taurus Infrastructure Fund (G)**	**SBI Infrastructure Fund - Series I (G)**
1st Jan'11	41.431	12.947	8.65	6.13	6.07
31st Dec'11	78.595	24.227	16.62	13.54	10.3
1st Jan'12	80.08	24.764	17.05	13.87	10.43
31st Dec'12	82.819	25.468	18.02	15.09	10.5
3rd Jan'13	83.098	25.587	18.38	15.18	10.61
30th Dec'13	45.8	15.355	11.86	9.96	7.06
1st Jan'14	47.218	15.679	12.22	10.2	7.1
31st Dec'14	58.965	18.262	15.99	12.56	8.36
1st Jan'15	59.758	18.402	16.19	12.82	8.53
31st Dec'15	50.033	15.311	15.37	11.19	7.38
1st Jan'14	50.663	15.509	15.5	11.33	7.472
31st Dec'14	75.181	24.119	25.93	17.76	10.935

a. Source: Secondary data

Table II shows the yearly performance returns of the selected schemes. It is seen that Taurus Infrastructure Fund was outperforming in 2011 and 2012. In other years it has been a good competition. In 2014 and 2016 Birla Sun Life Infrastructure Fund performed better compared to other selected schemes.

Table II: Table Showing the Yearly Returns of Selected Sector Schemes

Year	Returns %					
	BSE-200	**Reliance Diversified Power Sector Fund - Retail Plan (G)**	**Sundaram Infrastructure Advantage Fund-Regular Plan (G)**	**Birla Sun Life Infrastructure Fund (G)**	**Taurus Infrastructure Fund (G)**	**SBI Infrastructure Fund - Series I (G)**
2011	88.51	93.58	93.43	97.39	127.18	75.3
2012	16.22	5.38	5.12	9.75	11.45	1.83
2013	-26.95	-44.7	-39.71	-34.98	-34	-33.08
2014	30.98	28.99	19.27	35.24	26.61	18.7
2015	4.38	-14.62	-15.83	-3.55	-10.39	-11.87
2016	35.47	50.84	57.63	67.61	58.76	48.06

b. Source: Secondary data

Table III shows the average return, standard deviation and beta of selected Sector schemes In the period of 2011 to 2016, the average return of Taurus Infrastructure Fund has been more than the other undertaken schemes in Sector Fund category. Standard deviation i.e. risk of Taurus Infrastructure Fund is also highest compared to others. The beta of all the selected schemes are greater than one, indicating them to be more volatile to the market and falling under risk category. The beta of Taurus Infrastructure Fund is more compared to others. As a whole Taurus Infrastructure Fund gives more return though high risk is associated with it.

Table III: Table Showing the Average Returns, Standard Deviation and BETA of of Selected Sector Schemes

Particulars	Average Return %	Stand. Deviation (risk)	Beta
Reliance Diversified Power Sector Fund - Retail Plan (G)	19.91	44.80	1.25
Sundaram Infrastructure Advantage Fund-Regular Plan (G)	9.99	44.50	1.22
Birla Sun Life Infrastructure Fund (G)	28.58	44.21	1.21
Taurus Infrastructure Fund (G)	29.94	52.21	1.46
SBI Infrastructure Fund - Series I (G)	16.49	36.43	1.00

c. Source: Secondary data

Table IV shows Sharpe, Treynor's Ratio and Jensen measure. From the Sharpe ratio, it is seen that Birla Sun Life Infrastructure Fund is generating more returns when influenced by total risk of the market, and, SBI Infrastructure Fund – Series I is generating least return as compared to other selected schemes. From the Treynor's ratio it is seen that, among all Birla Sun Life Infrastructure Fund is generating more returns when influenced by the systematic risk in the market and SBI Infrastructure Fund – Series I is generating least as compared to other selected schemes.

From Jensen's measure it is seen that Birla Sun Life Infrastructure Fund only is giving a positive alpha value compared to others, indicating its superior performance. As a whole Birla Sun Life Infrastructure Fund is superior to other undertaken Sector Fund schemes.

Table IV: Table Showing the Average Returns, Standard Deviation and BETA of of Selected Sector Schemes

Particulars	Sharpe	Treynor	Jensen
Reliance Diversified Power Sector Fund - Retail Plan (G)	0.273	9.747	-9.192
Sundaram Infrastructure Advantage Fund-Regular Plan (G)	0.276	10.054	-8.590
Birla Sun Life Infrastructure Fund (G)	0.472	17.225	0.178
Taurus Infrastructure Fund (G)	0.426	15.238	-2.687
SBI Infrastructure Fund - Series I (G)	0.242	8.815	-8.250

Source: Secondary data

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FINDINGS AND SUGGESTIONS

In due course since 2011 the schemes returns shows a downward movement due to different conditions of the market. During the bearish market year of 2015, Birla Sun Life Infrastructure Fund gave good return compared to the other selected schemes though it was in negative.

The average return of Taurus Infrastructure Fund is highest in the period of 2011-2016, with risk associated with it too being highest. The average return of Birla Sun Life Infrastructure Fund is somewhat nearer to Taurus Infrastructure Fund having a small difference, and the risk associated with Birla Sun Life Infrastructure Fund is also much less compared Taurus Infrastructure Fund.

The beta of all the selected schemes are greater than one, indicating them to be more volatile to the market and falling under risk category. The beta of Taurus Infrastructure Fund is more compared to others. The Sharpe ratio, shows that Birla Sun Life Infrastructure Fund is generating more returns when influenced by total risk of the market, and, SBI Infrastructure Fund – Series I is generating least return as compared to other selected schemes.

The Treynor's ratio shows that, among all Birla Sun Life Infrastructure Fund is generating more returns when influenced by the systematic risk in the market and

SBI Infrasturcture Fund – Series I is generating least as compared to other selected schemes. Jensen's measure shows that Birla Sun Life Infrastructure Fund only is giving a positive alpha value compared to others, indicating its superior performance.

Among all the 3 category of funds undertaken, it is seen that returns on ELSS and Diversified equity schemes is more and the risk and beta factor are all most close to each other. Of all the schemes Reliance Tax Saver returns is highest and the risk being less compared to schemes under Sector funds. The schemes under sector funds are highly risky and volatile. Only aggressive investors may opt for this.

CONCLUSION

In case of Sector funds, Birla Sun Life Infrastructure fund has outperformed other selected funds, it is suggested to compare the portfolios of these funds to know the change. The risk associated with Sector funds is too high compared to ELSS and Diversified equity funds, it suggested to refer only to aggressive investors.

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