A Study on the Performance Analysis of Reliance Mutual Fund (Equity Fund Scheme)

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Abstract

Mutual funds are dynamic institution, which plays a crucial role in an economy by mobilizing savings and investing them in the capital market, thus establishing a link between savings and the capital market. This report presents the performance analysis of the Mutual Funds. It highlights the practical approach in the subject of fund performance, with special reference to the Equity Fund scheme. This study compares the mutual funds of Reliance with HDFC and Sundaram Funds in analyzing smart investment decisions as a gauge of risk-adjusted performance for the amount of expected volatility and market returns.

Key Words: *Volatility is a statistical measure of the dispersion of returns for a given security or market index.*

Introduction

India presents a vast potential for investment and is actively encouraging the players, especially entrance of foreign players in to the market. India is also one of the few markets in the world which offers high prospects for growth and earning potential in all areas of business. 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. In the current market scenario there is more expenditure than one's salary, inflation is touching its high peak' and fixed deposits are going down day by day, thus the net rate of return on the investments are below the inflation rate. To meet these growing requirements, the investors need to invest their disposable income to reap short as well as long term benefits. The best way of surviving and prospering in the competitive environment is through providing prompt, relevant and efficient information about Asset under Management, Net Asset Value and information about the scheme.

The idea behind undertaking this project is to understand the awareness and acceptance of equity funds alternatives and to make a comparative study on the performance of selected equity funds of mutual funds for Asset Management Companies. Though the investment objectives of the schemes define investor's preference among fund types (Midcap, balanced, growth, index etc) the choice of fund based on a sponsor's reputation remains to be probed.

Major Mutual Fund Companies in India

The concept of mutual funds in India dates back to the year 1963. The era between 1963 and 1987 marked the existence of only one mutual fund company in India with Rs. 67bn assets under management (AUM), by the end of its monopoly era, the Unit Trust of India (UTI). By the end of the 80s decade, few other mutual fund companies in India took their position in mutual fund market. The new entries of mutual fund companies in India were SBI Mutual Fund, Canbank Mutual Fund, Punjab National Bank Mutual Fund, Indian Bank Mutual Fund, Bank of India Mutual Fund.

The succeeding decade showed a new horizon in Indian mutual fund industry. By the end of 1993, the total AUM of the industry was Rs. 470.04 bn. The private sector funds started penetrating the fund families. In the same year the first Mutual Fund Regulations came into existence with re-registering all mutual funds except UTI. The regulations were further given a revised shape in 1996. Kothari Pioneer was the first private sector mutual fund company in India which has now merged with Franklin Templeton. Just after ten years with private sector player's penetration, the total assets rose up to Rs. 1218.05 bn. Today there are 33 mutual fund companies in India.

Objectives of the Study

1. To study the Performance Analysis of Reliance Equity Fund Mutual Funds in comparison with HDFC and Sundaram

2. To Forecast the returns of Equity Fund Schemes of Reliance , HDFC and Sundaram

3. To measure the volatility of Equity mutual fund schemes.

Review of Literature

Shyam Lai Dev Pandey,Dr.G.S.Rathore and **S.P.Khare (June-July 2007)** The term "Mutual funds" describes a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objective as laid down in the offer document. Investing in basket of securities reduces the risk because all stocks may not move in the same direction in the same portion at the same time; therefore mutual funds are least risky avenue of investment.

Mokta Rani Sarker It's a complicated task of selecting good investments by considering the trade-off between risk and return along with the combination of various types of investments for the investors. A rational investor always seeks to minimize risks and maximize returns on his investment in an optimal portfolio.

N.Sakthivel and Dr.C.Arjunan (December 2009) An Analysis Maximizing the shareholder value is considered as one of the fundamental goals of all businesses. In United States, top management is expected to maximize shareholder value. There are a number of value based management (VBM) frameworks. Shareholder value analysis (SVA) Rapport (1986) and Economic Value Analysis (EVA) developed by Stern Stewart (1990) are the two well-known ones. Shareholders' wealth is measured in terms of the returns they receive on their investment. The returns can either be in the form of dividends or in the form of capital appreciation or both. Capital appreciation in turn depends on the subsequent changes in the market value of shares. This market value of shares is influenced by a number of factors, which can be company specific, industry specific and macro-economic in nature.

Dr.V. Rama Devi and Nooney Lenin Kumar (June 2010) Mutual funds have many benefits that make them one of the most efficient, cost-effective, and easy investments available. They are also ideal vehicles for individual investors who don't have the time, willingness or ability to manage their own portfolio of bonds or stocks. Indian mutual fund industry is one of the fastest growing sectors in the Indian capital and financial markets. The mutual fund industry in India has seen dramatic improvements in quantity as well as quality of product and service offerings in recent years.

Research Methodology

Research Design

Analytical Research: It is type of research that utilize critical thinking to find out the fact about the given topic and from the answer obtained develop new and useful ways of doing things.

Data Collection

Secondary Data: Secondary data is the information obtained from the already existing ones where the data are collected for the various books of journals and books. The data about the company which is required for the analysis is the collection from internet websites in which the results are published.

Tools used for Analysis

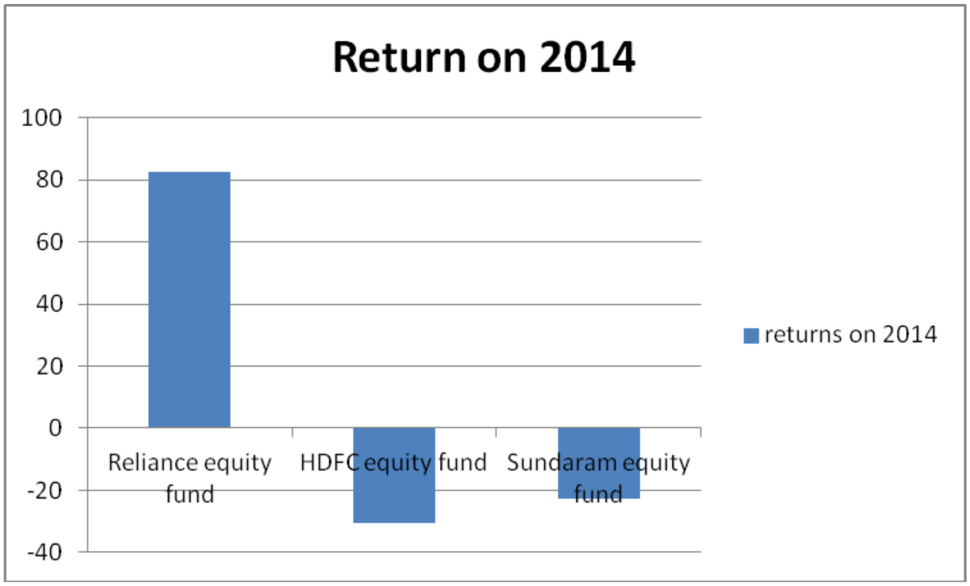
1. Standard deviation
2. Regression Analysis
3. Variance Analysis

Data Analysis and Interpretation

I Regression Analysis for Equity Fund

TABLE

S.NO	**COMPANY**	**RETURN ON 2014**
1.	Reliance equity fund	**82.6**
2.	HDFC equity fund	**-30.37**
3.	Sundaram equity fund	**-22.73**



Interpretation: The Estimation of Equity Fund Returns of Reliance 82.6, HDFC -30.37 and Sundaram - 22.37. Reliance equity fund will yield high returns in 2014 (82.6) when compare to HDFC and Sundaram Equity fund.

II. Variance of Analysis

1. Comparison of Reliance And HDFC Equity Fund

Year	**X= Reliance return**	**Y=HDFC return**	**X-Y**	**Variance =(X-Y)/X*100**
2009	108.75	105.57	3.18	2.92
2010	30.45	29.22	1.23	4.04
2011	-21.63	-26.72	5.09	-23.53
2012	47.35	34.14	13.21	27.90
2013	4.56	3.82	0.74	16.23

Interpretation: The Variability between the Reliance Equity fund and HDFC Equity Fund shows Negative variance in the year 2011 with -23.53 and Positive values in the 2012 with 27.90, 2009 with 2.92, 2010 with 4.04, and 2013 with 16.23

2. Comparison of Reliance And Sundaram Equity Fund

Year	**X=Reliance return**	**Y=Sundaram return**	**X-Y**	**Variance = (X-Y)/X*100**
2009	108.75	57.79	50.96	46.85977
2010	30.45	11.26	19.19	63.02135
2011	-21.63	-23.26	1.63	-7.53583
2012	47.35	33.13	14.22	30.03168
2013	108.75	57.79	50.96	275.4386

Interpretation: The Variability between the Reliance Equity fund and Sundaram Equity Fund shows Negative variance in the year 2011 with -7.5358 and Positive values in the 2013 with 275.4386, 2009 with 46.8597, 2010 with 63.02135, and 2012 with 30.03168

III Standard Deviation

Reliance Equity Fund

Year	Rp(X)	X-$\bar{X}$	(X-$\bar{X}^2$)
2009	108.75	-60.73	3688.133
2010	30.45	-139.03	19329.34
2011	-21.63	-191.11	36523.03
2012	47.35	-122.13	14915.74
2013	4.56	-164.92	27198.61
TOTAL	**169.48**		**101654.8**

S.D = $\sqrt{\sum}$(X-XBAR)^2 /N = $\sqrt{}$101654.8/5 = 142.5867

HDFC Equity Fund

Year	Rp(X)	X-$\bar{X}$	(X-$\bar{X}^2$)
2009	105.57	-40.46	1637.012
2010	29.22	-116.81	13644.58
2011	-26.72	-172.75	29842.56
2012	34.14	-111.89	12519.37
2013	3.82	-142.21	20223.68
TOTAL	**146.03**		**77867.21**

S.D = $\sqrt{\sum}$(X-XBAR)^2 /N = $\sqrt{}$77867.21/5 = 124.7936

Sundaram Equity Fund

Year	Rp(X)	X-$\bar{X}$	(X-$\bar{X}^2$)
2009	57.79	-13.13	172.3969
2010	11.26	-59.66	3559.316
2011	-23.26	-94.18	8869.872
2012	33.13	-37.79	1428.084
2013	-8	-78.92	6228.366
TOTAL	**70.92**		**20258.04**

S.D = $\sqrt{\sum}$(X-XBAR)^2 /N = $\sqrt{}$20258.04/5 = 142.5867 = 63.65224

Equity Fund	S.D
Reliance	**142.5867**
HDFC	**124.7936**
Sundaram	**63.65224**

Interpretation: Standard Deviation of Reliance Equity Fund 142.5867, HDFC 124.7936 and Sundaram Equity Fund are 63.65224. Reliance Equity Fund is 142.5867 is highly volatile.

Findings

1. The Estimation of Equity Fund Returns of Reliance 82.6 , HDFC -30.37 and Sundaram - 22.37; Growth Fund Returns of Reliance -29.31, HDFC-24.32 and Sundaram 21.86

2. Negative variance in the year 2011 with -23.53 and highest Positive value with 27.90 in the year 2012.

3. Negative variance in the year 2011 with -7.53 and highest Positive value with 275.43 in the year 2013.

4. Reliance equity fund yield high returns when compare HDFC and Sundaram equity fund.

5. Reliance Equity Fund is 142.5867 is highly volatile.

Suggestion

1. The Volatility of Reliance is high which represents high risk. The Reliance capital asset management company has to introduce schemes concentrating on the low and moderate risk seeking investors.

2. The variability value of Reliance in the year 2011 was negative. To avoid such situation in future the company has choose safer investments which yields better returns and formulate a portfolio analysis with moderate risk and return avenues

Conclusion

Mutual funds have become one of the most attractive ways for the average person to invest his money. It is said that bank investment is the first priority of people to invest their savings and the second place is for investment in mutual funds and other avenues. Mutual fund is the only opportunity many investors have for investing in an intelligent, diversified manner. The equity fund of Reliance shows high performance for last five. Although past performance is not indicator of future performance, past volatility is a good indicator of future volatility.

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