Institute of Management, Nirma University

SUMMER INTERNSHIP REPORT

On

"A Comparative analysis of performance of mutual funds between private and public sector"

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TITLE PAGE

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Company Name : The Capital Box

Project Title : A Comparative analysis of performance of mutual funds between private and public sector

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Date of Report : 12th July, 2021

Purpose of Report : The primary goal of this study is to gain an understanding of mutual funds and how they work. It would aid in comprehending different mutual fund plans and make a comparative analysis b/w the Private and Public sector.

Submission to : Faculty Mentor, Programme Office,

ACKNOWLEDGEMENT

I wish to express my sincere gratitude to my organizational mentor Mr. Siddhant Kewaliya for providing me with an opportunity to do my internship and project work in thisesteemed organization. He rendered me immense help during this internship and provided me valuable insights to carry out the project.

I sincerely thank, Prof. Tirthank Shah, my faculty mentor at the Institute of Management, Nirma Universityfor providing me encouragement and guidance throughout the period of this internship.

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Sneha Narayanan
(201251)

EXECUTIVE SUMMARY

The financial system facilitates the conversion of individual, government, and business savings into investments and consumption. The process of economic development is accompanied by the growth of financial institutions in a corresponding and parallel manner. The emergence of mutual funds, leasing, depository, factoring services, and merchant banks etc. is a significant result of this economic and financial development.

Thus, mutual funds serve as a gateway to large corporations that were previously inaccessible to the average investor with his small investments. Mutual funds are a mechanism for pooling resources by issuing units to investors and investing funds in securities based on the objectives stated in the offer document. The income generated by these investments, as well as the capital appreciation realised, are distributed to unit holders in proportion to the number of units owned. The Performance of Indian open-end investment company trade has fully grown at a powerful pace in terms of Assets under Management (AUM). With the fast growth, mutual funds became more and more vital suppliers of debt and equity funds. Indeed, firms with access to the reduced interest rates and elevated share costs of the capital markets have benefited from the surge in mutual fund assets. the quantity of fund homes is additionally increasing annually within the quick growing Indian economy.

The study focuses on identifying better collective investments in three different categories while also taking into account various other parameters such as forms, NAV, and risk analysis, among others. The study's goal was to better understand the risks and returns of various mutual funds. The main goal of our project is to help people understand mutual funds better and to promote mutual funds as a viable investment option. This research provides an overview of the return dimension of various schemes and mutual fund companies. The results and interpretation based on the accumulated data will assist investors in making sound investment decisions.

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PART – A

Name of the Company: The Capital Box

Organization Sector: Financial Services

The Capital Box was established on June 14, 2016 with the aim of assisting individuals, families, and small businesses in embracing the obligations of realizing their aspirations and goals by creating, implementing, and tracking financial strategies that are compatible with their core values. The Capital Box is a company that offers services in a variety of areas, including portfolio management, wealth management, and project outsourcing. They specialize in niche markets and portfolios with diverse needs, providing advisory services, financial products, and risk management strategies to individuals, families, and companies.

They have tie-ups with different insurance companies and other financial service providers in order to fulfill the customers' requirements.

Business Sector of Organization

The Capital Box provides consultation services, financial product and risk management strategies to individuals. The organization is primarily engaged in two business sectors: consulting and financial services.

Vision Mission and Values of the Company

Vision:

Capital Box's vision is to provide you the most ideal solution in asset management for your overall economic well-being. Reaching the largest number of clients is their vision.

Mission:

The focus of our organization is to provide our clients with the best solution for

- Wealth creation and asset management.
- The organization also promotes providing customers with straightforward, unbiased, and professional advice that improves their quality of life and leads to practical solutions.

Values:

CAPITAL BOX aims to improve customer satisfaction by combining its human and technical resources to provide high-quality financial services in order to achieve and maintain leadership. Throughout this process, wealth will strive to exceed customers' expectations.

Organization Products and Services

The Capital Box provides consultation services for individuals in various areas like

- Wealth Management
- Risk Management
- Portfolio Management
- Tax Solutions: Direct Tax, Indirect Tax and Transfer Pricing
- Retirement Solutions

The organization offers products and services from some of the largest insurance companies, including Max Life Insurance, Aditya Birla Capital, among others. They offer products like Term life insurance, Endowment Plans, Whole Life insurance, Money Back Plan, Health Insurance, Mutual Funds etc.

Wealth Management:

Customers' wealth is managed and invested across a variety of financial instruments, including debt, equity, mutual funds, insurance products, derivatives, structured goods, commodities, and real estate, based on the clients' financial goals, risk profile, and time horizons.

Mutual Funds Service provider:

Mutual fund service providers provide professional investment services to funds that are made up of several asset types, mostly debt and equity-linked assets. Compared to the stock market and debt goods, mutual fund solutions have a lower initial investment. In India, these products are quite popular since they generally have lesser risks, tax benefits, steady returns, and divagation features.

Risk management:

Risk management is the process of identifying, evaluating, and prioritising risks, then deploying resources in a coordinated and cost-effective manner to reduce the likelihood and impact of unfortunate events or to optimise the realisation of opportunities.

Portfolio Management:

Portfolio management entails deciding on an investment mix and policy, matching investments to objectives, allocating assets to individuals and institutions, and balancing risk and performance.

Portfolio managers analyse and optimise investments for clients across a wide range of assets. This segment includes a highly specialised and customised range of solutions that enable clients to achieve their financial goals through portfolio managers who analyse and optimise investments for clients across a wide range of assets (debt, equity, insurance, real estate, etc.).

Tax Consulting:

This section encompasses a diverse range of financial services in the areas of tax and auditing. Individual and commercial clients might be separated in this services domain. They are as follows:

- Individual Income Tax (determining tax liability, filing tax-returns, tax-savings advisory, etc.)
- Tax – Business (tax liability determination, transfer pricing analysis and structuring, GST registrations, tax compliance)

INSURANCE MARKETING FIRMS (IMF’s)

Insurance Marketing Firms, or IMFs, have a number of partnerships with insurers. These businesses have been approved by IRDAI and follow its rules. Through professionally maintained companies/firms, they operate as distribution channels for insurance and other financial products to their clients.

Insurance Marketing Firms (IMFs) are similar to "Distribution Companies" in that they have multiple insurance tie-ups, similar to Independent Financial Advisors (IFA). The Insurance Regulatory Development Authority of India (IRDAI) regulations pertaining to the registration of Insurance Marketing Firms were released on January 21, 2015.

The following actions are performed by Insurance Marketing Firms:

Purchasing and Selling Insurance Products:

IMFs can purchase two life, two health, and two general insurance products from various insurance firms. They are also involved in the outsourcing of insurance company activities. They can only engage in insurance servicing activities if they have signed a solicitation agreement with an insurer and are approved by insurance repositories.

Financial regulators will market other financial products:

Different financial goods, such as mutual funds, pension plans, and non-insurance goods, are marketed by the

Government of India, the Postal Department, and banks.

Eligibility Criteria:

- The company must be a private limited company, a limited liability partnership, or be recognised by IRDA
- It must have a minimum net worth of INR 10 lakh
- It must have professional indemnity coverage
- The Principal Officer and staff must meet all IRDAI eligibility criteria.

Products offered by IMFs:

- Mutual funds (SEBI);
- Pension products (PFRDA);
- Other financial products distributed by SEBI licensed Investment Advisors;
- Banking/ financial products / NBFC;
- Non-insurance products offered by Department of Posts, GoI;
- Any other product permitted by IRDAI.

SWOT ANALYSIS

Strengths:

- A single-window, multi-solution approach that is both simple and abundant.
- Foster innovation, membership, added value, and continuous processes.
- Provide customers with solutions for the future.
- Excellent technical support
- A well-trained, dedicated, and professional team of investment professionals, financial planners, and insurance specialists.

Weakness:

- There is only one branch in Gurugram.
- Investors' lack of understanding of the significance of financial planning
- Investors' lack of understanding of the role and significance of financial planning
- Retaining well-trained personnel

Opportunities:

- Customers can choose from a variety of products.
- Collaboration with a leading financial advisory brand
- Product Enrollment for All Products
- Retaining well-trained workers

Threats:

- Increased market competition as a result of new entrants
- Trained employees who are venturing out in search of better opportunities
- Changes in product and service tax laws
- Modifications to government policies governing financial products and services.

ABOUT THE FINANCIAL SECTOR

Financial markets, financial intermediaries, financial instruments, and financial instruments are all parts of country's financial system. The science of money management is known as finance. Finance denotes the funds required for specific operations. When referring to an organization's financial demands, the finance is sometimes referred to as "funds" or "capital." A complex or tightly related group of organizations, agents, practices, markets, transactions, claims, and liabilities in the economy is referred to as a "financial system." The financial system or banking sector acts as a facilitator to facilitate surplus-to-deficit flows.

The financial system is made up of numerous institutions, markets, regulations, laws, practices, fund managers, analysts, operations, claims, and debts. In India, there are two types of financial systems: organized and unstructured. The organized sector is structured and largely subject to the regulation and control of governing bodies, whereas the unorganized sector is more amorphous and has more leeway in terms of regulations and controlling power. The stability of financial markets affects the functioning of the economy, and thus the financial system is critical to economic prosperity.

Banks, investment houses, insurance companies, real estate brokers, consumer financing companies, mortgage lenders, and real estate investment trusts are all part of the financial industry (REITs). Financial institutions, banks, and non-banking financial institutions are all part of the financial industry. Financial institutions offer financial services to its members and clients. The capital markets (asset management, broking, wealth management, investment banking, depository companies) and non-banking financial companies make up the majority of India's financial services sector (NBFCs). The market regulator has also recently permitted the formation of new entities, such as payments banks, expanding the types of entities operating in the sector.

Banking Sector:

Banks are financial intermediaries that offer money to lenders and take deposits from them. They are heavily regulated in order to maintain market stability and safeguard consumers.

Banks are classified as follows:

- Public banks
- Commercial banks
- Central banks
- Cooperative banks
- State-managed cooperative banks

- State-managed land development banks

Non-Banking Sector:

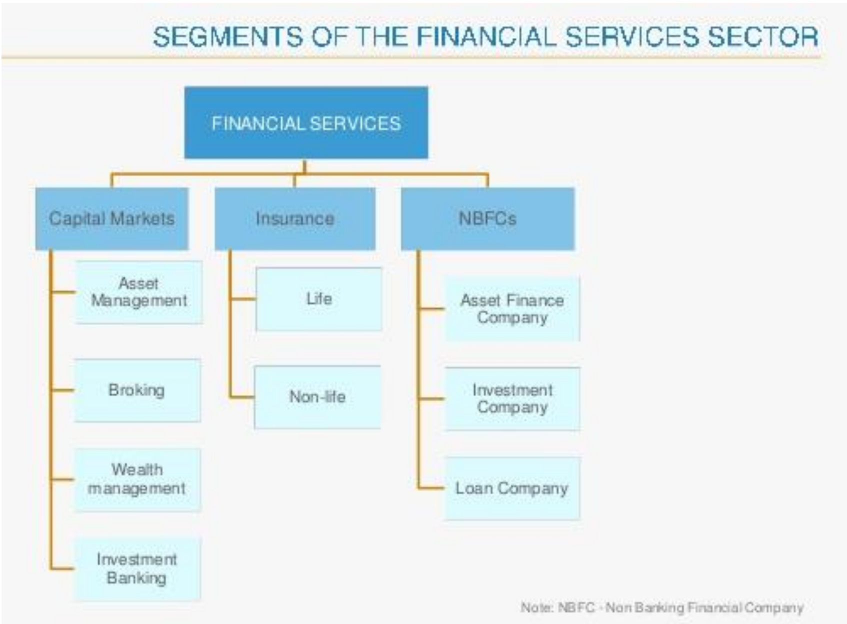
Non-banking financial institutions (NBFIs) are institutions that provide financial services such as investment, risk pooling, and market brokering but are not banks. They don't have complete banking licences in most cases.

NBFC's comprise of:

- Finance and loan companies
- Insurance companies
- Mutual funds
- Commodity traders

Financial Services and Consulting:

The Indian financial services industry is divided into various sub-sectors. Mutual funds, pension funds, insurance firms, stockbrokers, wealth managers, financial advisory companies, and
commercial banks are just a few examples. Individuals, private corporations, and public organisations are among the clients who benefit from the services.



The Indian financial sector has grown at an annual rate of 8.5 percent. The increase in the growth rate indicates that the economy is expanding. Financial and monetary policies are capable of sustaining a stable growth rate. Over the last few years, reforms in monetary and macroeconomic policies have had a profound impact on the Indian economy.

However, India's financial sector is dominated by banks, with commercial banks accounting for over 64% of the total assets of the financial system. The Indian government has implemented a number of reforms to liberalise, regulate, and improve the sector.

PART – B

INTRODUCTION

TYPE OF PROJECT: Research Based Project

PROJECT TITLE: A Comparative analysis of performance of mutual funds between private and public sector

COMPANY NAME: The Capital Box

NEED FOR THE STUDY:

The primary goal of this study is to gain an understanding of mutual funds and how they work. This aids in understanding the mutual fund industry in detail, from its inception to its current state and future possibilities. Because my research is based on a comparative comparison of the private and public sectors, it also aids in comprehending different mutual fund plans. A mutual fund is one of the most appealing investments for small investors since it allows them to invest in a wide range of low-cost, professionally managed investments.

The aggressive expansion of foreign investment fund businesses, as well as the contraction of state-owned banks and small private companies, has been a recent trend in the mutual fund industry.

OBJECTIVES:

Primary objectives:

To examine the growth and progress of mutual funds in India

To measure the relative performance of a select group of mutual funds.

Evaluate the performance of different funds based on different performance measurement ratios such as sharp ratio, standard deviation, beta and R-square

Secondary objectives:

To compare and contrast the performance of a few select plans across public and private sector funds.

To compare the performance of public and private mutual funds.

To investigate how investors feel about mutual funds.

SCOPE OF STUDY:

The study was done over an eight-week period with the primary goal of tracking the mutual fund company's performance. Due to the fact that different organisations present on the same topic during the same season, it is critical to continuously enhance business performance in order to stay ahead of the competition and deliver the most capital appreciation.

LIMITATIONS OF STUDY:

Finding out the true repercussions of investing in a mutual fund system is difficult due to the limited information in the secondary survey report.

The research is only for an eight-week timeframe.

ORGANIZATION OF THE REPORT:

The success of mutual fund schemes is determined by the fund managers' ability to design a portfolio with the proper strategy. On the one hand, difficulties relating to the selection of schemes among public and private sector funds, as well as the high risk associated with schemes, have become a major concern for every investor. The performance of a mutual fund scheme should not be measured solely on the basis of return; it should also take into account the risk associated in the investment. Because different funds have varying degrees of risk associated to them.
The study has two objectives, according to the researcher:

The purpose of this study is to look at the risk-return profile of equity linked growth and balanced funds.
To compare and contrast mutual funds from the public and private sectors.In terms of mean return, the analysis indicates a considerable difference between public and private sector schemes. According to the Sharpe, Treynor, and Jensen models, there is no substantial difference in excess return per unit of risk between public and private sector plans.

METHODOLOGY

Research methodology is a way for solving problems that is scientific and systematic. It entails selecting a number of methodologies and procedures, most of which are derived from the research conducted.

I compared the returns of five different types of funds from similar fund providers during a six-month, three-year, and five-year period.

The investigation is based on the optional sources of information acquired from several connected records, as well as the AMFI, SEBI, distributed annual reports, instructions, and other office records.

The goal of the project is to evaluate if the gap between two sectors is narrowing or widening over time (2017-2021).

SOURCE OF DATA:

The research is based on secondary information. SEBI handbooks, amfindia.com, journals, and publications were used to compile the data.

METHOD OF COLLECTION:

For this study, data from various internet sites (mutualfundsindia, valueresearchonline) funds has been taken for the purpose of our study. For the purpose of studying the performance evaluation of the mutual fund in India, data was collected from websites of SEBI, AMFI, RBI and various other finance related sites along with sites of some mutual fund companies. The choice of units from the population in convenience sampling is based on their ease of availability and/or accessibility. The data gathered provides valuable insights and is an excellent source of data for exploratory study.

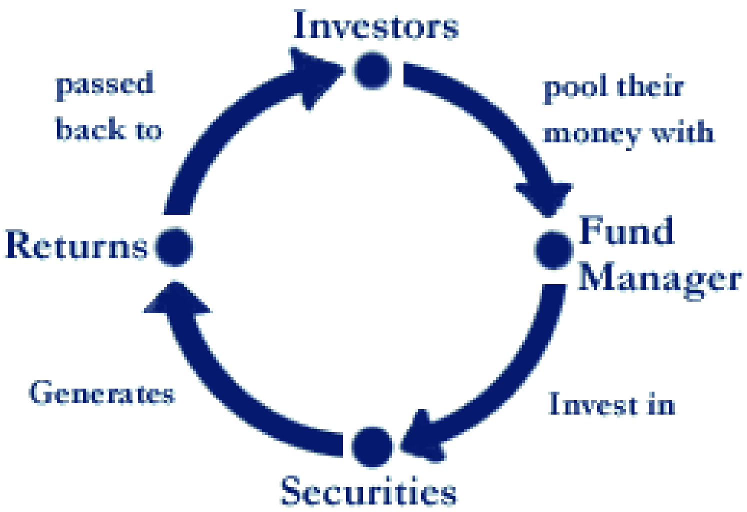
PROJECT INTRODUCTION

Mutual Funds are fundamentally financial instruments in which individuals with a common investment goals pool their money and then invest it in various asset classes like equities, bonds, money market instruments, and Gold. The need and scope for mutual fund operations have increased dramatically as a result of the focus on increasing domestic savings and improving investment deployment across markets, but people are still hesitant to make the move from the traditional saving options like FDs, saving deposits and Post office savings. It is important to study about the returns given by AMC (Asset Management Companies') Mutual Funds and perform a comparative analysis.

Mutual fund schemes are available to investors in a variety of forms. Before investing in a specific scheme, retail investors look for details about the scheme's profitability. This project aims to determine whether public and private sector mutual funds have identical risk and return profiles, as well as to assist institutional investors in making investment decisions.

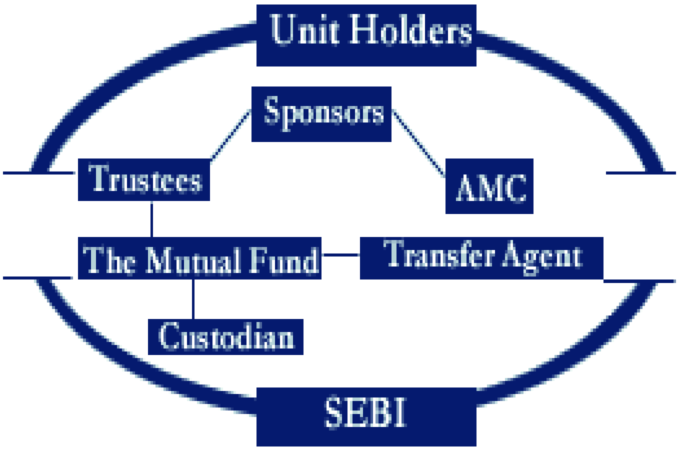
The flow chart below describes broadly the working of a mutual fund:

Mutual Fund Operation Flow Chart



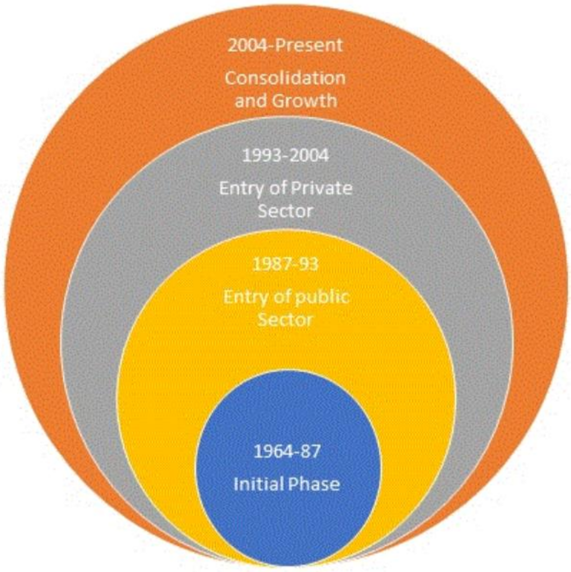
Source: www.amfiindia.com

Organization of Mutual Funds: There are many entities involved and the following diagram illustrates the organizational set up of a mutual fund



Source: www.amfiindia.com

HISTORY OF MUTUAL FUNDS:



- **First Stage 1964-1987:**

The India Trust Unit (UTI) was established by the National Assembly in 1963. The Reserve Bank of India founded it, and it is managed and controlled by the Reserve Bank of India. UTI was split off from the RBI in 1978, and the Indian Industrial Development Bank (IDBI) took over the administration's regulations rather than the RBI. UTI's first plan, the 1964-unit system, was implemented, and as of the end of 1988, UTI managed 6,700 core assets.

- **Stage 2 1987-1993 (input from public sector funds):**

Invested in non-UTI public investment funds established in 1987 by General Banking and Life Insurance Corporation (LIC) in India and General Insurance Corporation (GIC) in India. In June 1987, the SEBI Mutual Fund became the first non-UTI mutual fund. The SEBI Mutual Fund was the first non-UTI mutual fund to be established in June 1987, followed by the Canbank Mutual Fund (December 1987), Punjab Bank (August 1989), and India Cooperative Fund (90 days). GIC and LIC formed a joint venture in December 1990 and June 1989, respectively. By the end of 1993, the mutual fund sector managed Rs. 47005 in assets.

- **Stage 3 of 1993-2003 (Political Funding):**

With the introduction of the private fund in 1993, a new era in the Indian investment fund industry began, allowing Indian investors to choose from a diverse range of funding products. The first mutual fund rule was established in 1993, and all mutual funds were registered and managed. In July 1993, Kuthary Pioneer (now merged with Franklin Templeton) became the first private investment fund to be registered.

- **Stage 4-From Feb 2003**

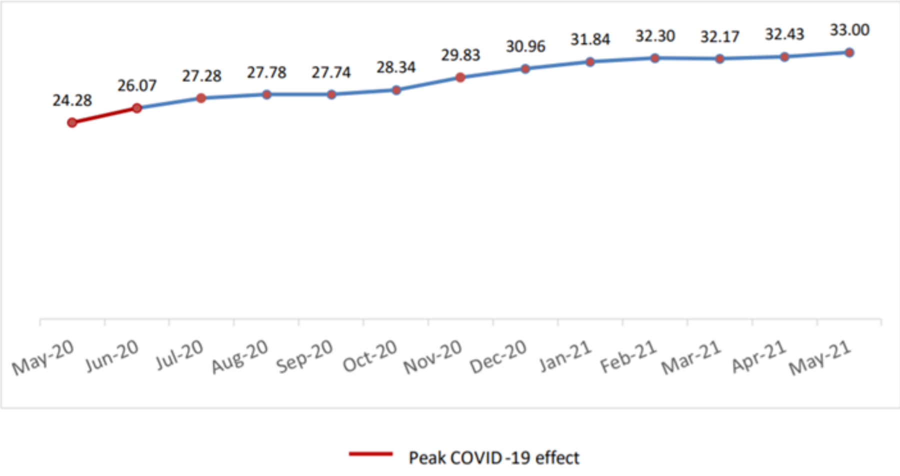
UTI was divided into two independent agencies in February 2003, with the unit trust that repealed Indian law in 1963. One of them is the Indian Rupee unit assets managed at 29,835 rupees as of the end of January 2003, particularly the US 64 plan, guaranteed income, and other specific planned assets. The Indian government oversees the management of the Indian government unit trust and the specific business. It is not covered by mutual fund regulations.

PRESENT SCENARIO

The Indian mutual fund industry's average assets under management (AAUM) for June 2021 was 34,10,403 crore. The AUM of the Indian MF Industry has increased fivefold in ten years, from 6.73 trillion on June 30, 2011 to 33.67 trillion on June 30, 2021.

The mutual fund business in India has grown its assets under management from Rs. 24.28 trillion in May 2020 to Rs. 33 trillion in May 2021. In comparison to May 2020, this implies a 35.87 percent growth in assets.

Total Assets (Rs. Trillion)



REGULATORY FRAMEWORK

- **Indian Securities and Exchange Commission (SEBI):**

The Government of India is the primary regulatory body for all organisations. These organisations raise capital in the capital markets or invest in capital-market securities such as stocks and listed bonds. In 1992, the Securities and Exchange Commission of India presided over Parliamentary proceedings. Investment funds have become significant stock market investors. As a result, they are subject to SEBI's jurisdiction. SEBI authorises all investment funds, including investment sites, to comply with investment restrictions and restrictions, as well as how to record revenue and expenses, disclose information to investors, and protect investors in general. SEBI develops policies and regulates investment funds to protect the interests of investors. This rule applies to investment funds promoted by public or private institutions, including foreign institutions. SEBI's Asset Management Corporation (AMC) manages funds by investing in a variety of programmes using the funds it manages. Two-thirds of board members or members of a trustworthy independent company, according to SEBI regulations.

- **Investment Trust Association (AMFI) in India:**

With the expansion of Indian investment trusts, India requires the formation of mutual fund associations as a non-profit organisation. On August 22, 1995, the Indian Investment Trust Association (AMFI) was founded.

AMFI is the highest authority among all SEBI-registered asset management companies (AMCs). To date, all asset management firms have participated in the mutual fund programme. It operates under the supervision and guidance of the board of directors.

The Indian Mutual Funds Association is the industry leader in India, establishing a professional and sound market with ethical standards that encourage and sustain standards. The principles that must be followed in order to protect and promote the interests of mutual funds and their owners.

GROSS MOBILISATION OF FUNDS AND TOTAL ASSETS- PRIVATE & PUBLIC

Status of Mutual Funds for the period April 1, 2021 to April 30, 2021			
			(Figures in Rs. Crore)
	Private Sector Mutual Funds	**Public Sector Mutual Funds**	**Grand Total**
	A	B	A+B
Mobilisation of Funds	5,31,397.50	1,33,300.35	6,64,697.85
Repurchase / Redemption Amt.	4,50,794.04	1,20,997.41	5,71,791.45
Net Inflow/ Outflow (-ve) of funds	80,603.46	12,302.94	92,906.40
Cumulative Position of net assets as on April 30, 2021	**26,76,185.62**	**5,61,799.46**	32,37,985.08
	82.65%	17.35%	100.00%

Source: SEBI

The above table shows the mobilization of funds by public and private sector AMC’s.

PERFORMANCE EVALUATION OF MUTUAL FUNDS

Investors can choose from a variety of investment options. Investors can also benefit from mutual funds because they provide strong investing options. They, like any investments, come with some dangers. When it comes to mutual fund schemes, risk is a significant consideration. As a result, choosing the correct type of scheme based on several performance metrics is critical from the investor's perspective. To help investor’s in evaluating the performance of a scheme , a comparative analysis has been made on certain set parameters which has been discussed below :

For the purpose of analyzing the various schemes following parameters has been used:

- Portfolio
- Expenses
- Risk and Volatility
- Risk Adjusted Return
- Returns

PORTFOLIO

The portfolio of any programme is an important criterion for evaluation. It indicates the fund's exposure to numerous stocks as well as sectors. A thorough examination of the fund's portfolio would enable an investor to gain important insight into the fund manager's investing strategy. For a portfolio-based examination of the performance of numerous mutual funds. Portfolio Turnover is defined as “the lesser of annual acquisitions or annual sells, divided by the average portfolio value” by definition. It calculates the weighted average holding period of a security by calculating the amount of buying and selling done by the fund management. If a fund’s turnover is 50%, it means that the average holding duration for any individual security is 2 years, and 50% of the portfolio’s total assets are replaced every year. The amount fluctuates depending on the fund’s type and the manager’s investment strategy. High transaction costs result from a high turnover ratio.

EXPENSES

From the perspective of an investor, it is critical to understand the charges associated with buying, selling, transferring fees, and any other costs you may face if you invest in a given fund. The expenditure ratio of the funds should be considered while analyzing the expenses of various mutual funds.

The expense ratio is defined as the proportion of total expenses to average net assets. In the scheme’s offer document, an investor can find information about the scheme’s expenditure ratio. The expense ratio may differ from scheme to scheme depending on the type of scheme. Index funds and exchange-traded funds have the lowest expense ratios. The expense ratio of stock funds is higher than that of fixed income funds. Due to additional research and other expenditures involved with international investing, funds that invest globally have a much higher expense ratio than domestic portfolios. It is necessary to compare the expense ratios of plans in the same category. It’s preferable to have a low expense ratio.

RISK AND VOLATILITY

RISK

Risk is a critical component of performance evaluation and a vital aspect in establishing a fund manager’s ability. One cannot judge a manager’s skill in a given era solely on the basis of his or her return. The prospect of loss, damage, or harm is referred to as risk in a broad sense. A more detailed definition of risk might be given in the context of investment. It is a term that describes the variation in the expected return.

The following elements influence the investing performance of a mutual fund:

The types of investments in the portfolio. Small-cap stocks, for example, may be more volatile than large-cap equities.

The extent to which a company’s portfolio is diverse. A portfolio of merely 5 stocks, for example, may be more volatile than a portfolio of 15 stocks.

The portfolio manager’s ability to time the market. For e.g., an index fund tends to be less volatile than an aggressive growth fund.

Risk is neither good nor harmful, depending on how it is interpreted. The risk premium is the difference between the required rate of return on a mutual fund investment and the risk-free rate. Market risk, business risk, liquidity risk, financial risk (leverage), duration, and credit risks for bonds, as well as political and currency concerns, are all factors that go into determining an acceptable risk premium. Broadly, the market risk can be divided into 2 following categories:

- Systematic Risk – Market-related or non-diversifiable systemic risk. It is the risk that has an impact on a wide range of assets. Political events are an example. It’s nearly hard to protect yourself from this kind of danger.
- Unsystematic Risk – An unsystematic risk is one that is specific to a mutual fund portfolio and can be diversified. It is a risk that affects a large number of people.

VOLATILITY

The fluctuation of returns over a certain time period is measured by volatility. It shows how far the price changes from the average on a daily, weekly, or monthly basis. Low percentage volatility indicates that the price has maintained relatively near to the average throughout time, whereas high percentage volatility indicates that the price has fluctuated significantly up and down. The bigger the difference between a fund’s highest and lowest returns, and the higher the risk of the investment, the higher the volatility. As a result, volatility is a market measure of uncertainty – investors constantly change their thoughts about the value of a stock, reflecting uncertainty about the company’s future earnings potential. As a result, it’s a great predictor of investment risk. As a result, the following measures were employed to assess risk in the context of fund volatility:

Fund’s Volatility (σ) i.e. variation from the average.

The amount to which the fund’s movement may be explained by the corresponding benchmark index is measured by the Fund’s Resemblance (R2).

Volatility of the fund in relation to the market index (), i.e. the degree to which the fund moves in sync with the market index.

STANDARD DEVIATION (σ)

The standard deviation is a measure of return dispersion. It’s a metric for determining how individual returns differ from the average predicted return over a certain period of time. A larger standard deviation value indicates a bigger risk. To put it another way, the standard deviation informs us how far the fund’s return deviates from predicted normal returns.. Though standard deviation measures both upside and downside volatility, it’s a reasonable proxy for estimating the risk of loss in any security. One of standard deviation’s advantages is that it may be applied to any form of portfolio with any sort of securities. Over a given time period, standard deviation allows portfolios with identical objectives to be compared. It can also be used to determine how much riskier one kind of fund is than the other. As a result, Standard deviation is probably used to describe the risk of an asset or a portfolio of securities more than any other indicator.

CO-EFFICIENT OF DETERMINATION (R2)

It demonstrates how well a certain benchmark market index describes the portfolio of a given fund. It calculates the percentage of mutual fund movement that corresponds to the use of the benchmark market index. As a result, a fund with an R2 of 100 percent has perfect correlation with the index. A R2 of 0% (zero percent) indicates that there is no association with the chosen benchmark index. . As a result, an investor should look for funds with an R2 close to 100 percent to ensure a superior return against the benchmark index. Beta (systematic risk) as a measure of a security's volatility is less trustworthy the lower the R2 squared. IT funds, for example, may have a low correlation with the BSE 30 or Nifty, implying that their betas in relation to the BSE 30 or Nifty are mostly meaningless as risk indicators. So, in order to correctly analyse a fund, it is necessary to compare it to an adequate benchmark. To avoid useless and sometimes misleading analysis, establishing the quality of fit between a fund and its proper benchmark is critical.

BETA (β)

The return of a stock in a mutual fund to a market index is referred to as beta. When comparing portfolios, the excess return should be adjusted by the systematic risk rather than the total risk. Beta is often used to assess market risk. It compares the fund's return variability to the market as a whole. . It is indicative of the funds' sensitivity. The market index will revert to its previous state of fluctuation. Markets have a Beta of 1.0 by convention, and mutual funds can be volatile, more volatile, or less volatile. A beta greater than one indicates that the fund or stock is more volatile than the benchmark index, whilst a beta less than one indicates that the investment is less volatile. As a result, if the market increases by 10%, a fund with a beta of 1.0 should increase by 10% as well, but if the market decreases by 10%, the fund should decrease by 10%. Similarly, a fund with a beta of 1.1 is considered to be slightly more volatile than the market, meaning that if the market gains 10%, the fund will gain 11%, while a 10% decrease in the market will result in an 11% drop in the fund. A fund with a beta of 0.9 would gain 9% when the market rose 10%, but would lose only 9% when the market fell 10%. As a result, Beta gives a gauge of a security's past volatility in relation to a given benchmark or index, but the suitable benchmark must be chosen with caution.

RISK-ADJUSTED RETURN

The term "performance measurement" is usually used in conjunction with "risk measurement" and "realized returns." This is because the fund manager's differential results could be attributed to a difference in risk exposure. As a result, it's critical to modify the return to account for the risk. For this reason, the following two major risk-adjusted return assessment approaches were employed for the evaluation of the performance of various mutual funds.

- Return Per Unit of Risk
- Differential Return

RETURN PER UNIT OF RISK

The first of the risk adjusted performance measure is the type that assesses the performance of a fund in terms of return per unit of risk. We have used following 2 measures for evaluating fund's performance:

- Sharpe Ratio
- Treynor Ratio

Sharpe Ratio

W. F. Sharpe proposed the Reward to Variability Ratio in 1966. It's a measure of relative performance that's represented as the excess return per unit of risk, where risk is defined as the rate of return's standard deviation. The following is a formula for calculating the ratio:

$Sp = (Rp - Rf) / \sigma p$

Where, Sp = Sharpe's ratio for fund p,

Rp = Average return on fund p,

σp = Standard deviation of return on fund p, and

Rf = Return on risk free asset

It allows investors to compare two or more investment options because it is a measure of relative performance. A fund with a greater Sharpe ratio than another is preferred since it means the fund has a higher risk premium per unit of standard deviation risk. The underlying assumption of the Sharpe measure is that the portfolio will not be paired with any other risky portfolios because the Sharpe ratio adjusts return to total portfolio risk. As a result, it's a useful metric for comparing the performance of many mutually exclusive portfolios.

Treynor Ratio

Jack Treynor proposed the reward to volatility ratio in 1965, and it is expressed as a ratio of returns to systematic risk (Beta). Excess return is adjusted for systematic risk using the Treynor measure. As indicated in equation, it is calculated by dividing a portfolio's excess return by its beta.

$$Tp = (Rp – Rf)/ \beta p$$

Where: Tp = Treynor's ratio for fund p

βp = Sensitivity of fund return to market return

Rp = Average return on fund p

Rf = Return on risk-free asset.

It is a measure of relative performance that, like the Sharpe ratio, evaluates portfolio risk in terms of beta, which is the weighted average of individual security betas. The better the performance, the larger the ratio. The treynor ratio, which measures return per unit of systematic risk, is a useful performance indicator when comparing a portfolio to a benchmark portfolio.

DIFFERENTIAL RETURN

The differential return metric is the second type of risk-adjusted performance measure. The primary goal of this category is to determine the predicted return for the fund scheme given its ealized risk and compare it to the actual return ealized over the time.

Jensen Ratio

It is a regression of excess fund return with excess market return given by M.C. Jensen in 1968. It is expressed as:

$$Rpt – Rf = \alpha + \beta (Rm – Rf) + ei$$

Where Alpha (α) = the intercept

β = Systematic risk

Rm= Market return

Rpt = Fund return for time period t

Rf = Return on risk- free asset

Jensen's performance is measured by the intercept of the equation. The calculation is based on the Capital Asset Pricing Model (CAPM). This entails performing a regression with the security's excess return and the market's excess return as dependent and independent variables, respectively, where the excess return is estimated using the risk-free return as a reference point. Significantly positive alpha indicates superior performance.

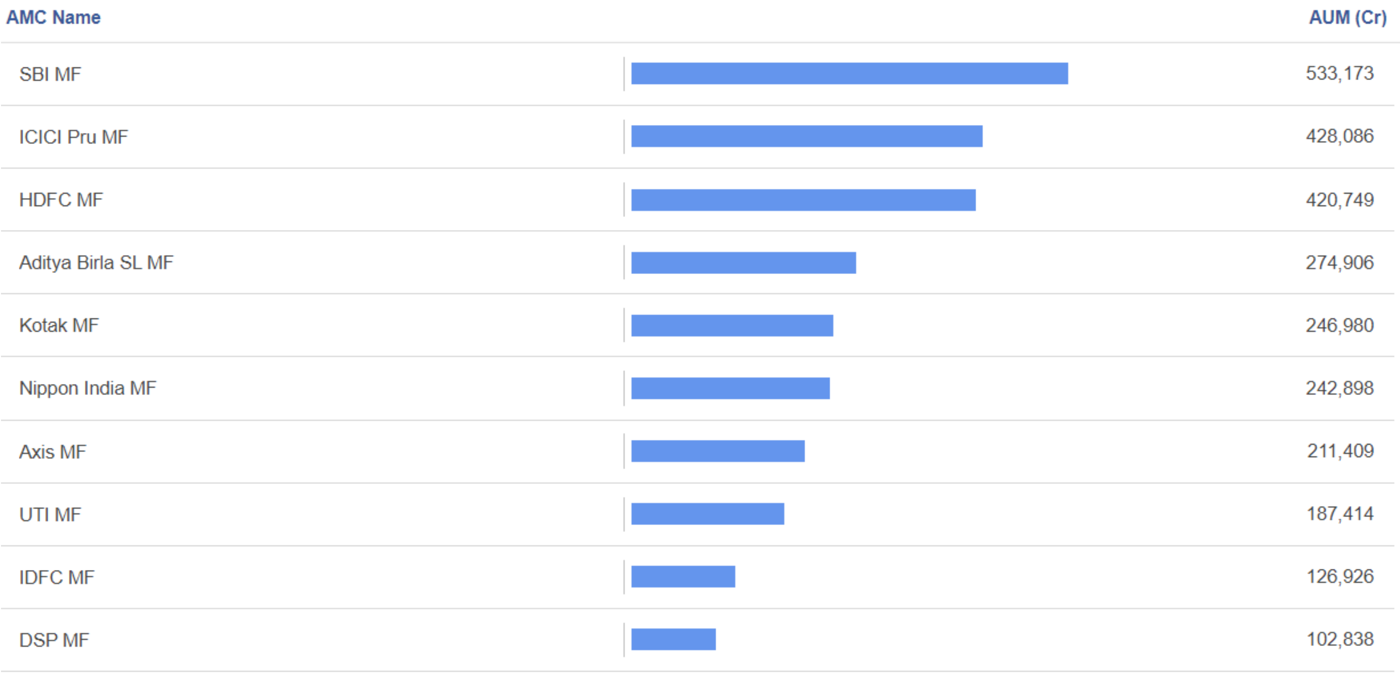
RETURNS

The term “returns” referred to the total profit that an investor receives from investing in specific schemes. From an investor’s perspective, the higher the return, the better. The benchmark index for assessing the returns achieved by the plans is the BSE 30. The daily index value and net asset value (NAV) respectively were used to compute the returns for both the benchmark market index, the BSE 30, and the schemes. The average of the developed series was then calculated. By comparing the last three years’ average returns to the benchmark, one may determine how much return a particular scheme provided in relation to the market’s return on similar schemes.

Risk-free return

The risk-free rate of return is the lowest return on investment that comes with no risk of losing the money invested. For the sake of this study, it was set at roughly 5.75 percent per year because banks offered fixed deposits at the same rate on average during the study period.

Top 10 Mutual Funds by AUM



SBI, UTI and IDFC are the only Public Sector owned AMC’s in the list. The rest of the AMC’s are wholly Private owned companies.

In order to analyze and make a comparative assessment between private and public sector, I am going to compare 5 Mutual Funds across different segments and make a fair estimation.

GROWTH /EQUITY ORIENTED SCHEME

Growth funds are designed to provide capital growth over the medium to long term. Typically, such funds invest a large portion of their assets in equities. These funds carry a disproportionately high level of risk. These schemes offer investors a variety of alternatives, such as dividends, capital appreciation, and others, from which they can choose according on their preferences. The option must be indicated in the application form by the investors. Investors in mutual funds can also change their preferences at a later time. Growth plans are suitable for long-term investors expecting capital appreciation over a period of time.

Fund Name	Expense Ratio (%)	1 Yr Ret (%)	3 Yr Ret (%)	5 Yr Ret (%)	Net Assets (Cr)
Aditya Birla Sun Life Focused Equity Fund - Direct Plan	1.14	47.45	14.58	14.16	4,938
HDFC Focused 30 Fund - Direct Plan	1.50	50.88	10.03	10.73	733.00
ICICI Prudential Focused Equity Fund - Direct Plan	1.14	51.50	15.74	14.12	1,675
IDFC Focused Equity Fund - Direct Plan	0.84	42.41	9.47	15.33	1,428
SBI Focused Equity Fund - Direct Plan	**0.75**	**51.83**	**18.05**	**17.77**	**16,857**

Fund Name	Standard Deviation	Sharpe Ratio	Sortino Ratio	Beta	Alpha	R-Squared
Aditya Birla Sun Life Focused Equity Fund - Direct Plan	21.57	0.56	0.60	0.97	0.24	0.97
HDFC Focused 30 Fund - Direct Plan	24.49	0.33	0.43	1.03	-5.08	0.92
ICICI Prudential Focused Equity Fund - Direct Plan	**19.21**	0.63	**0.89**	**0.78**	2.17	0.86
IDFC Focused Equity Fund - Direct Plan	21.95	0.34	0.33	0.91	-4.23	0.90
SBI Focused Equity Fund - Direct Plan	21.50	**0.70**	0.74	0.89	**3.66**	0.90

Fund Name	Latest NAV
Aditya Birla Sun Life Focused Equity Fund - Direct Plan	89.63
HDFC Focused 30 Fund - Direct Plan	106.01
ICICI Prudential Focused Equity Fund - Direct Plan	47.86
IDFC Focused Equity Fund - Direct Plan	55.37
SBI Focused Equity Fund - Direct Plan	**230.73**

On comparing the above funds, we can observe that SBI Focused Equity Fund - Direct Plan outshines the rest of the mutual funds in most of the parameters. ICICI Prudential Focused Equity Fund - Direct Plan follows closely behind and is comparatively less risky as per the standard deviation.

INCOME / DEBT ORIENTED SCHEME

The goal of income funds is to provide investors with a consistent stream of income. Bonds, corporate debentures, government securities, and money market instruments are common investments in these types of funds. When compared to equity plans, these funds are less hazardous. The performance of these funds is unaffected by stock market changes. However, capital appreciation potential are limited in such vehicles. Changes in interest rates in the country have an impact on the NAVs of such funds. In the short run, if interest rates fall, the NAVs of such funds are likely to rise, and vice versa. Long-term investors, on the other hand, may not be concerned about these changes.

Fund Name	Expense Ratio (%)	1 Yr Ret (%)	3 Yr Ret (%)	5 Yr Ret (%)	Net Assets (Cr)
HDFC Income Fund - Direct Plan	1.24	4.05	8.03	6.75	638.00
ICICI Prudential Income Optimizer Fund (FOF) - Direct Plan	0.40	**18.40**	10.05	9.15	355.00
IDFC Government Securities Fund - Investment Plan - Direct Plan	0.61	3.30	**11.97**	**9.77**	**1,969.00**
SBI Magnum Constant Maturity Fund - Direct Plan	**0.32**	2.75	10.49	9.61	816.00
UTI Gilt Fund - Direct Plan	0.65	1.92	9.36	8.97	747.00

Fund Name	Standard Deviation	Sharpe Ratio	Sortino Ratio	Beta	Alpha	R-Squared
HDFC Income Fund - Direct Plan	**2.59**	1.39	1.98	1.10	0.90	0.79
ICICI Prudential Income Optimizer Fund (FOF) - Direct Plan	6.72	0.82	0.75	0.80	1.30	0.66
IDFC Government Securities Fund - Investment Plan - Direct Plan	4.24	**1.71**	2.53	0.85	**2.01**	0.90
SBI Magnum Constant Maturity Fund - Direct Plan	4.10	1.46	2.23	0.83	0.88	0.91
UTI Gilt Fund - Direct Plan	3.81	1.29	2.33	**0.70**	0.60	0.75

Fund Name	Latest NAV
HDFC Income Fund - Direct Plan	50.04
ICICI Prudential Income Optimizer Fund (FOF) - Direct Plan	44.44
IDFC Government Securities Fund - Investment Plan - Direct Plan	29.47
SBI Magnum Constant Maturity Fund - Direct Plan	**51.18**
UTI Gilt Fund - Direct Plan	50.78

On analysis of the debt funds, IDFC Government Securities Fund - Investment Plan - Direct Plan is faring better in terms of long term return on comparison with its peers.

TAX-SAVING MUTUAL FUNDS/ EQUITY LINKED SAVING SCHEMES (ELSS)

An open-ended equity mutual fund that invests largely in equities and equity-related items is known as an Equity Linked Saving Scheme (ELSS). They are a subset of mutual funds that qualify for tax deductions under Section 80C of the Internal Revenue Code of 1961. As a result, they are commonly referred to as tax saving mutual funds.

Fund Name	Expense Ratio (%)	1 Yr Ret (%)	3 Yr Ret (%)	5 Yr Ret (%)	Net Assets (Cr)
HDFC Taxsaver Fund - Direct Plan	1.32	48.49	10.02	11.55	8,577
ICICI Prudential Long Term Equity Fund (Tax Saving) - Direct Plan	1.22	53.36	14.56	14.06	**8,965**
IDFC Tax Advantage (ELSS) Fund - Direct Plan	**0.90**	79.12	16.64	18.18	3,295
SBI Tax Advantage Fund - Series III - Direct Plan	0.91	**84.83**	**32.06**	**25.13**	29.00
UTI Long Term Equity Fund - Direct Plan	1.33	57.99	16.92	15.25	1,974

Fund Name	Standard Deviation	Sharp e Ratio	Sortino Ratio	Beta	Alpha	R-Squared
HDFC Taxsaver Fund - Direct Plan	22.67	0.35	0.40	0.97	-4.59	0.96
ICICI Prudential Long Term Equity Fund (Tax Saving) - Direct Plan	22.97	0.54	0.58	0.99	-0.42	0.97
IDFC Tax Advantage (ELSS) Fund - Direct Plan	26.76	0.56	0.60	1.15	0.31	0.95
SBI Tax Advantage Fund - Series III - Direct Plan	22.74	**1.15**	**1.27**	**0.91**	**14.40**	0.84
UTI Long Term Equity Fund - Direct Plan	**22.00**	0.64	0.65	0.95	1.89	0.97

Fund Name	Latest NAV
HDFC Taxsaver Fund - Direct Plan	**684.25**
ICICI Prudential Long Term Equity Fund (Tax Saving) - Direct Plan	568.84
IDFC Tax Advantage (ELSS) Fund - Direct Plan	94.81
SBI Tax Advantage Fund - Series III - Direct Plan	53.19
UTI Long Term Equity Fund - Direct Plan	141.02

SBI Tax Advantage Fund - Series III - Direct Plan performs better than its peers in terms of risk and return as per the analysis as shown in the above tables.

CONCLUSION

Mutual funds are such a broad area of study that no single study can cover all of the relevant dimensions. Market risk applies to mutual fund investments.

Even though as per the research conducted SBI is faring well in terms of the past returns, it's possible that past performance isn't a reliable predictor of future profits. As a result, staying current is critical while investing in mutual funds.

Private players have a much higher market share in the AMC's. Overall, the performance of the most of the Private Sector Mutual Funds is better compared to the Public Sector Mutual Funds. With the introduction of Private Sector Funds, the Mutual Fund Industry now provides investors with a diverse set of fund families. Mutual Funds offer a variety of schemes under various categories.

There was undoubtedly competition between Private Mutual Funds and Public Sector Mutual Funds in order to provide better performance. Private mutual funds may be willing to take on more risk in managing various mutual fund schemes. Private mutual funds made more speculative investments than public sector mutual funds. The risk analysis revealed that private sector mutual funds have higher levels of risk for growth and equity-oriented schemes, while public sector mutual funds have higher levels of risk for tax-saving and debt-oriented schemes.

Furthermore, research can be conducted to investigate institutional investors' perceptions of mutual funds, an area that has been left out of the scope of the current study. A review of the use of parameter beta (i.e. systematic risk) for mutual fund performance evaluation in relation to a chosen market index as a benchmark is also required. This is due to the fact that beta is calculated based on the total return earned by a given equity - diversified fund in relation to the market return, whereas no equity - diversified fund invests solely in equities; instead, they, too, keep 5% to 10% of total invested funds in liquid securities to meet any contingent occurrence. As a result, for accurate performance evaluation, beta should be adjusted based on the percentage of total equity investment.

PART – C

LEARNINGS

My internship project comprised of two modules respectively. The first module included instruction on the various types of insurance policies and mutual funds available in the market. It also entails pitching clients and maintaining customer relationships for various insurance items and other financial products. The main aim is to make us aware about the financial products available in the market.

The second module includes enlightening us on various financial instruments such as stocks, bonds, and debentures. They will also teach us about portfolio management, which entails managing the financial portfolios of various clients through various financial instruments under the guidance of respective mentors. It entails a thorough understanding of asset allocation and risk management for various clients.

Some of the learnings I got through my 8-week long internship are as follows:

- Understanding how to locate important and official info and where to look for it. Most people do not know where to go to find reliable data these days because the Internet is overflowing with information, the majority of which is untrustworthy. I learned how to understand and gather reliable data from government or official sources.
- I began staying in touch with the market by learning how macro and micro news affects it. I also grasped the market psychology underlying each move.
- Reading the financial news daily is very important for any analyst as he/she needs to stay connected to what is happening around the world in this category. I started to give more focus to it after I started the internship.
- I also understood how to analyze the risk and return pertaining to mutual funds. Instead of just relying on past performances, I got to learn about portfolio management and how people with different risk capacity can invest in the market using mutual funds.
- I was not only limited to performing the research work but was able to make various strategies to exploit the market conditions. This helped in gaining managerial abilities in the process.

This internship with The Capital Box was a wonderful experience. I learnt a lot of new skills through the process. However, learning is a continuous process and I intend to continue doing so. I will surely apply these learnings in my future as well.

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