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A Comparative Analysis of Growth, Income and Hybrid Mutual Fund Schemes

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Abstract:- Mutual funds have emerged as an important intermediary in all the capital markets of the world. The mutual funds play and will continue to play an important role in the growth of the capital market in India. Making investment in a mutual fund is more convenient as compared to dealing in the capital market. So, a mutual fund is a suitable investment for a common man as it offers an opportunity to invest in a diversified and professionally managed basket of securities at a relatively low cost. Thus, due to their increasing popularity it becomes necessary to measure their performance and identify the right schemes for investment. The main aim of this paper is to compare schemes of 4 companies in growth, income and hybrid category and to identify the best scheme in each category and it also highlights the best category by considering the return and risk of each fund.

Keywords:- *Beta, Sharpe Ratio, Standard Deviation, Yield, Total Return and Mutual Funds.*

I. INTRODUCTION

The word “mutual” signifies a vehicle wherein the benefits of investment accrue prorate to all the investors in proportion to their investment. A mutual fund is the ideal investment vehicle for today’s complex world. It is an institutional device through which the investors pool their funds to invest in a diversified portfolio of securities thus spreading and reducing the risk quotient. With the increase in domestic savings and improvement in deployment of investment through markets, the need and scope of mutual funds operations has increased tremendously. The innovative content with which mutual funds have been offered make the investors confident that product differentiation will reach the various income segments, geographical segments and risk bearing segments of investors.

II. NEED FOR THE STUDY

The small investors turn to mutual funds to reap the twin advantages of less risk and high return. But, withthe advent of liberalization measures the investors are more vulnerable to the fluctuations of the international capital market. Secondly, due to increasing demand there is rise in mutual fund schemes and institutions. The ordinary investors may not be aware of the challenges involved and the required tool to select the scheme for his investment. Hence, the study aims to examine the performance of variousmutual fund schemes in different category on the basis of the returns given by them in past 3 years.

IV. OBJECTIVES OF THE STUDY

1. To compare various mutual funds belonging to different category.
2. To analyse the performance of growth funds, income funds and hybrid funds with respect to risk.
3. To rank the schemes according to their overall performance.

V. SCOPE OF THE STUDY

The period taken into consideration for the study is from November 2016 to November 2019. The companies taken into consideration for study are SBI, Axis, L & T and Aditya Birla Sun Life. The reason for choosing these companies is they enjoy the highest market share. In growth funds category, the schemes selected for the study have their majority investment in blue chip and large cap stocks. In Income funds category, the schemes selected for the study have their majority investment in long term debt. In hybrid fund category, the schemes have a balanced approach toward their investment in equity and debt. The proportion of equity and debt in hybrid funds differ from company to company.

VI. LIMITATION OF THE STUDY

1. The research is limited to a period of 3 years.
2. There are only 4 funds which are studied in each category. Hence, the findings of the study may not be generalized on the other funds.
3. The schemes used for comparison in different category are similar schemes and not exactly the same schemes.

VII. RESEARCH METHODOLOGY

- *Source of Data:*

The data for this study is collected from secondary sources like books, journals, magazines and various websites.

- *Statistical Tools:*

The simple statistical techniques like total return, standard deviation, beta and Sharpe ratio are also used for evaluating the performance of the schemes.

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VIII. MAJOR FINDING

Rank	Fund
1	AXIS blue-chip fund
2	SBI blue-chip fund
3	Aditya Birla Sun Life frontline equity fund
4	L & T India value fund

Particulars	SBI dynamic bond	AXIS strategic bond fund	L & T banking & PSU debt fund	Aditya Birla Sun Life Banking & PSU debt fund
Total return (3 years) – as of 22ND November 2019	4.57	4.79	5.74	5.99
Category 3 years total return	4.18	4.18	5.74	5.74
3-year Sharpe ratio as of 31/10/19	0.51	0.63	-	1.07
3-year Std. dev as of 31/10/19	4.41	2.95	-	2.86
12-month yield	4.37	5.27	2.89	5.06

Table 1:- Growth funds
Source: Morningstar.in

Table 1 demonstrates the return and risk of 4 funds which belongs to large cap category. These funds have their major investment in equities and therefore are considered as growth funds. From the above data, we can observe that the axis fund has given more returns as compared to the other funds and have also outperformed the category average returns. L &T fund has the highest risk as compare to others and lowest return but the total return is more than the category average return which means the company is able to outperform its competitors. Sharpe ratio is a tool to measure the fund performance with respect to its risk and Axis fund ranks first as perthis ratio. From beta we can conclude that SBI, AXIS and Aditya Birla sun life funds are defensive fund whereas L&T is an aggressive fund which hasmore volatility as compared to the market index.

Rank	Fund
1	Aditya Birla Sun Life Banking & PSU debt fund AXIS blue-chip fund
2	AXIS strategic bond fund
3	SBI dynamic bond
4	L & T banking & PSU debt fund

Particulars	SBI blue-chip fund	AXIS blue-chip fund	L & T India value fund	Aditya Birla Sun Life frontline equity fund
Total return (3 years) – as of 22ND November 2019	12.56	20.76	10.16	10.99
Category 3 years total return	13.62	13.62	8.99	13.62
3-year Sharpe ratio as of 31/10/19	0.50	1.05	0.29	0.37
3-year Std. dev as of 31/10/19	12.91	12.74	14.91	12.46
3-year Beta as of 31/10/19	0.95	0.88	1.06	0.93

Table 2:- Income funds
Source: Morningstar.in

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Table 2 demonstrates the return and risk of 4 funds which belongs to debt funds category. Among the four funds Aditya Birla Sunlife has given the highest return but if we considered yield it's the axis mutual fund which has outperformed. The risk of all 4 funds is comparatively less since they are debt funds. All the 4 funds have given return more than their category average. According to Sharpe ratio, Aditya Birla Sunlife funds ranks first.

Rank	Fund
1	AXIS equity hybrid fund
2	SBI equity hybrid fund
3	L & T hybrid fund
4	Aditya Birla Sun Life hybrid fund

Particulars	SBI equity hybrid fund	AXIS equity hybrid fund	L & T hybrid fund	Aditya Birla Sun Life hybrid fund
Total return (3 years) – as of 22ND November 2019	10.72	10.32	10.27	6.71
Category 3 years total return	8.73	6.80	8.95	4.25
3-year Sharpe ratio as of 31/10/19	0.64	0.97	0.49	0.46
3-year Std. dev as of 31/10/19	7.15	5.80	10.01	5.48

Table 3:- Hybrid funds
Source: Morningstar.in

Table 3 demonstrates the return and risk of 4 funds which belongs to hybrid category. The first three funds have an approach of aggressive allocation whereas the last one has a conservative approach. All 4 funds have outperformed their category average and there is marginal difference among their return. Since they are hybrid funds their risk is more than the income funds but less than the growth funds. According to Sharpe ratio, Axis fund ranks first.

IX. CONCLUSION

This paper was an attempt to evaluate the performance of the mutual fund schemes. The outcome of the paper is clear, that Axis fund is been ranked first in growth and hybrid category whereas Aditya Birla Sunlife has been ranked first in income category. While comparing the categories, we can conclude that the income category has given the best return as compared to the risk faced in this category. Though the total return of the growth funds is highest, the risk is equally highest and according to the Sharpe ratio the return given by growth funds doesn't compensate the amount of risk faced in it as compared to income category. The reason behind this is downfall in equity market in recent years due to uncertain global scenario.

However, the above conclusion may not remain true in the long term in case the uncertainties arising in the international market get resolved.

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