

Brilliant Performer: an analysis on Equity Mutual Funds

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ABSTRACT

When we look at the various avenues of investment, mutual funds is one of the investment avenues where the investors get handsome returns with a small amount of investment. So, a Mutual fund is an investment option which pools money from investors and invest that money in several asset classes like bonds, stocks, gold and other assets to fetch handsome returns. The asset management company invests the pooled money on behalf of the investors. In this paper, though there are several ways of investments, mutual funds have been chosen for the study as they are convenient and offer better returns, therefore the purpose of this paper is to analyse the performance of Equity mutual funds for the last five years and come out with a better conclusion on, which mutual fund has been consistently doing well over the years.

Key words: Equity Mutual Fund, Return, Holdings, Assets under Management, Expense ratio.

I. INTRODUCTION

A collective pool of money from several investors is called as Mutual fund. This money will be invested by professional Fund managers in various assets and income which gets generated will be distributed among investors. When investors think about investing in mutual fund, he/she must keep in mind the performance of the fund, fund management expenses and how fund offers flexibility for the withdraw. Some of the mutual fund schemes having more fund management expenses but yielding less return will not be the right option unless they offer smart returns over these fund management expenses. There are some hidden charges as fund management expenses levied by Fund management companies which most of the investors are not aware off. Therefore one should pay more attention on the above aspects including risk involved in various mutual fund schemes as mutual funds are

exposed to market risk. Despite these limitations, why people still think about investing in the Mutual funds is the right question which needs to be answered before we move on.

Mutual funds offer more convenience for investing as they provide an option to begin with a small amount of money from small investors to big though the goal of every investor is vary like children's education, marriage, house purchase and any other post retirement expenses. Mutual funds provide unique benefits by provide various choices in the portfolio across bonds, equity, money market instruments and government securities on investing with low cost and leaving the investment decision to professionally skilled fund managers. These Fund managers will do the research, choose the securities and monitor the performance of the funds. Redeeming the money which is invested is possible after one year in some funds and after three years with some funds. Any time if investors wish to shift his units from debt scheme to equity or a balanced scheme is allowed through Systematic transfer plan and not only that the mutual fund industry will be controlled by SEBI and the investments are taken care with the best interest of investors as all funds need to be registered with SEBI, hence the transparency is ensured. Interestingly, there will be more flexibility to park ones investment on various fund options as the mutual funds offer portfolio categories like growth funds, income funds, balanced funds and money market mutual funds.

II. METHODOLOGY

To understand and produce the research outcome, a study was conducted by using secondary sources like websites, test books and survey reports and the analysis has been done by taking into account of different mutual funds among various companies, compared and selected the best performing fund during the last five years.

III. RESULTS

Performance of the Equity Mutual Funds for past five years

Fund Name	3-year Return (%)*	5-year Return (%)*
Quant Small Cap Fund Direct Plan-Growth	68.86%	22.91%
Tata Digital India Fund Direct-Growth	38.16%	22.44%
Quant Tax Plan Direct-Growth	52.39%	22.08%
ICICI Prudential Technology Direct Plan-Growth	43.31%	21.79%
Aditya Birla Sun Life Digital India Fund Direct-Growth	40.50%	21.01%

*Last updated as on 30th Mar 2023

1. Quant Small Cap Fund Direct Plan-Growth was constituted as trust on 15th April, 1996 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with Quant Capital Finance & Investments Private Limited. This fund has outperformed all the funds in its category and delivered an average annual returns of 15.41% since its inception. The assets under management of Quant Small Cap Fund are ₹3,302 Crs. If we look at the performance of this fund, it has delivered an amazing performance of 68.86% in the last three years and 22.91% in the last five years. The expense ratio of the fund is 0.62% which is quite less compared to other funds in its category and if the fund is redeemed within 1 year, this will attract an exit load of 1%.

2. Tata Digital India Fund Direct-Growth is a Sectoral-Technology mutual fund scheme from Tata Mutual Fund. It was launched on 28th Dec, 2015. Tata Digital India Fund has 6766 crores of assets under management as on 31/12/2022. This fund has provided the average annual returns of 16.86% from its inception. If we look at the three years returns, it was 38.16% and the returns in the last five years was 22.44%. The expense ratio of fund is 0.31% as on 3rd April 2023 which is the least in its entire funds category. The nature of the fund is, it has doubled the money invested in its three years. Major portion of the money has been invested in technology, communication, services and capital goods sector.

3. Quant Tax Plan Direct-Growth is a mutual fund scheme from Quant Mutual Fund and it was launched on 01/01/2013, having an existence of 10 years in the market. This fund has assets under management of Rs 2779 crores as on 31/12/2022 and the expense ratio of the fund is 0.57% which is quite less than other funds charge. This fund has performed to deliver the returns to the extent of 52.39% in its three years and 22.08% in the last five years. If the fund is redeemed in a year it does not attract any exit load. The major holdings are in Reliance Industries Ltd., HDFC Bank Ltd, State

Bank of India, Larsen & Toubro Ltd., ITC Ltd, Mahindra Ltd, Infosys Ltd, HCL Technologies Ltd, LTIMindtree Ltd..

4. ICICI Prudential Technology Direct Plan-Growth is a Sectoral-Technology mutual fund scheme from ICICI Prudential Mutual Fund. This fund was launched on 01/01/2013 and it has delivered annual average returns of 21.58%. ICICI Prudential Technology Direct Plan has got the capacity to double the money invested in it in every three years and able to control losses in a falling market is average. This fund has assets under management Rs 8993 as on 31/12/2022. When we consider its returns which is 43.31% in the last three years and 21.79% in the last five years. The expense ratio of the fund is really expensive i.e 2.11%. Majority of its holdings are in Capital Goods, Energy sectors, Communication, Services and Technology.

5. Aditya Birla Sun Life Digital India Fund Direct-Growth is a Sectoral-Technology mutual fund scheme from Aditya Birla Sun Life Mutual Fund. The fund was launched on 01/01/2013 having the existence of 10 years in the market and holding Rs 3338 crores worth of Assets under Management as on 31/12/2022. When we look at the performance of this fund for three years 40.50% and five years performance is 21.01% which looks really good for three years and five years both as it had an ability to deliver returns consistently. The expense ratio of the fund is 0.88%. The uniqueness of this fund is, it has doubled the investment invested in it in every three years and its ability to control the losses in a falling market is somewhat satisfactory. The top holdings of the funds are in Tata Consultancy Services Ltd, Tech.

IV. DISCUSSION

The option of investing in Mutual Fund is good as it has the ability to deliver long term wealth for the investors. Mutual funds look attractive as they offer more flexibility to invest and create wealth for the investors, redeeming is

quite flexible whenever money wants to be taken back and goes on to meet their post retirement goals in its various schemes. In our study, we have looked into five major Equity Mutual Funds and their three years performance and five years performance, there are other funds in the market performing equally well but quite less than the above funds, may be their holdings and expense ratio is not that competitive as compare to these funds category. While investing in Mutual funds one should keep in mind that, the major holdings of the fund, its expense ratio and flexibility to redeem. Any fund performing well but expense ratio is quite high and withdrawing option is not flexible, may not draw the attention of Investors. So an investor should look into it before investing and on the other hand, company also should charge less and render more returns.

When we gaze into the performance of the top five funds, Quant Small Cap Fund Direct Plan-Growth has brilliantly done well over the years i.e 68.86% (3 year return) and 22.91%(5 year return) and the fund management expenses (expense ratio) is also very less of 0.62% stand as a top performer in all the Equity mutual funds category. In the second place, we see Tata Digital India Fund has maintained its return of 38.16%(3 year return) and 22.44%(5 year return) having expense ratio of 0.31 which is the least charges in its funds category. Its performance is also greatly convincing. Thirdly, Quant Tax Plan Direct-Growth has performed to the extent of 52.39%(3 year return) and 22.08%(5 year return) and its expense ratio also a less of 0.57%. In the fourth

place, we have ICICI Prudential Technology Direct Plan-Growth performing really well to the extent of 43.31 % (3 year return) and 21.79% (5 year return). But the fund management charges are really high i.e 2.11% which affects the returns of the investor. In the fifth place we have Aditya Birla Sun Life Digital India Fund Direct-Growth wonderfully doing well as returns of three years and five years is 40.50% and 21.01% when we compare to other mutual funds and its fund management charges is 0.88% is quite less only when we consider other funds in its category. Hence keeping in mind the return , fund management charges, we can conclude that Quant Small Cap Fund Direct Plan-Growth is the brilliant performer as it delivered amazing returns of 68.86%(3 year return) and 22.91%(5 year return) consistently. Investor can look into the consistency of this fund in its return and its ability to sustain in all the market conditions.

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