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Analyzing Mutual Fund Performance Trends at Sharekhan: Identifying Opportunities for Investors

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ABSTRACT: The present study analyse the investor behaviour and mutual fund trends at Sharekhan, this study reveals a rise in equity funds driven by market performance and investor risk tolerance. Debt funds remained stable due to cautious investor sentiment, while hybrid funds emerged as a popular balanced option. Potential correlations between investor movement, particularly towards tax-exempt money market, and equity market fluctuations were identified. These insights offer valuable strategic guidance for Sharekhan to optimize client advisory services and cater to evolving investor preferences in the dynamic Indian financial market. Overall, this research provides valuable insights into the dynamic landscape of mutual fund investments at Sharekhan, shedding light on emerging patterns and investor behaviour in the Indian financial market.

KEYWORDS: Investor Behaviour, Mutual Fund Trends, Equity Funds, Hybrid Funds, Sharekhan Client Services.

I. INTRODUCTION

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. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The flow chart below describes broadly the working of a Mutual Fund.



A Mutual Fund is a body corporate registered with the Securities and Exchange Board of India (SEBI) that pools up the money from individual/corporate investor's and invests the same on behalf of the investors/unit holders, in equity shares, Government securities, Bonds, Call Money Markets etc, and distributes the profits. In other words, a Mutual Fund allows investor to indirectly take a position in a basket of assets. Mutual Fund is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document. Investments in securities are spread among a wide cross-section of industries and sectors thus the risk is

reduced. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at same time. Investors of mutual funds are known as unit holders. The investors in proportion to their investments share the profits of losses. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A Mutual Fund is required to be registered with Securities Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

II. REVIEW OF LITERATURE

Nupur Makkar et al. (2020) in their study entitled “Risk and Return Analysis of Stocks listed in BSE and NSE: A Review Study” focused to review the past literatures available on risk and return to throw the light on the relationship between them. The research studied 25 literatures for the period from 2011 to 2019. The study concluded that risk and return are highly correlated. Most of the literature reviews recorded that the high potential returns on investment usually hand in hand with the high risk. But only few studies criticize that high return was not correlated with high risk.

Nittan Arora and Sonia Chawla (2019) presented their research on the title “A Study on Performance Evaluation of Private Sector Mutual Fund Schemes”. The aim of the study was to evaluate the performance of 20 growth schemes, 5 each from 4 private sector mutual funds. Period of the study is from 2006-07 to 2018-19 i.e. 156 months. Analysis was done by using Sharpe model, Treynor model, Beta ratio and Jensen differential measure. The study found that all selected mutual fund companies have positive returns during 2006 to 2019 and out of 20 schemes, 13 schemes were outperformed in all the aspects and the performance of remaining 7 schemes were average.

Sridevi (2018) in her paper “Performance Analysis of Mutual Funds - A Study on Selected Mid Cap and Small Cap Funds” measured the risk - return relationship and market volatility of the selected mutual funds. The study was limited to analysis of open-ended balanced funds of Reliance, HSBC, Sundaram as Small cap funds and UTI, Axis, Kotak as Mid cap funds. The study showed that two schemes of mid cap and small cap funds outperforming the benchmark return. Not all the funds have represented positive values. In Mid cap fund, the performance of Axis Balanced Fund was very insignificant where as in the small cap fund, the performance of HSBC Balanced Fund was considered desirable.

Megha Narang (2018) in her study analysed the performance of Equity Mutual Funds and results were summarized in the paper “Performance Evaluation of Selected Equity Mutual Funds”. The study focused on the investment performance of Indian equity mutual funds with risk adjustment. It was observed that higher positive value of Sharpe measure was found in Mirae Asset India Opportunities Fund - Direct Plan which was followed by SBI Bluechip Fund - Direct Plan. Among the entire schemes, higher alpha was found with Mirae Asset India Opportunities Fund - Direct Plan followed by SBI Bluechip Fund - Direct Plan.

Rushikesh M. Kakandikar (2017) carried out a research on “A Performance Analysis of Select Public and Private Mutual Funds”. The study mainly focused on evaluation and comparison of the performance of select private and public sector mutual fund schemes. There were 48 schemes from open ended with equity based, income, balanced and ELSS mutual fund schemes of twelve different Asset Management Companies. It concluded that the performance of private sector companies were better than the public sector mutual fund companies.

III. RESEARCH METHODOLOGY

The study on trends in mutual funds at Sharekhan utilizes a mixed-method research methodology to comprehensively analyze current market behaviors and investor preferences. Quantitative data is gathered through systematic sampling of transactional records and historical performance data of mutual funds offered through Sharekhan's platform. This is supplemented by qualitative insights obtained from interviews and surveys conducted among a diverse sample of Sharekhan clients and financial advisors. The integration of both quantitative and qualitative approaches allows for a robust examination of trends, investor sentiments, risk perceptions, and emerging opportunities within the mutual fund market, offering valuable insights for strategic decision-making and client advisory services at Sharekhan.

Need for the study

The project aims to highlight Mutual Fund trends as a superior investment avenue, suitable for both short-term gains and long-term financial growth. It emphasizes Mutual Funds as an accessible and beneficial option for inexperienced investors with limited funds, promoting awareness of its reliability and potential. Globally recognized and historically

successful, Mutual Funds, also known as Unit Trusts in some regions, have gained immense popularity among millions worldwide. Their appeal lies in the safety of principal investment, coupled with opportunities for capital appreciation and income through dividends or interest, making them a preferred choice for prudent investors seeking growth and stability.

Scope of the study

The study has been limited to analyse open –ended schemes of different assetmanagement companies namely SBI magnum, UTI, HDFC, Mutual funds and its trends each scheme is analyzed according to its performance against the other, based on returns.

Objectives of the study:

1. To Analyze historical data to identify prevailing trends in mutual fund investments among Sharekhan clients over the past five years
2. To Evaluate Sharekhan-recommended mutual funds against benchmarks for returns, volatility, and risk metrics to gauge investment strategy effectiveness.

Limitations of the study

The study on Mutual Fund analysis is conducted over a focused 45-day period, relying primarily on secondary sources such as monthly fact sheets, websites, and literature due to constraints on primary data availability.

Data Analysis and Interpretation

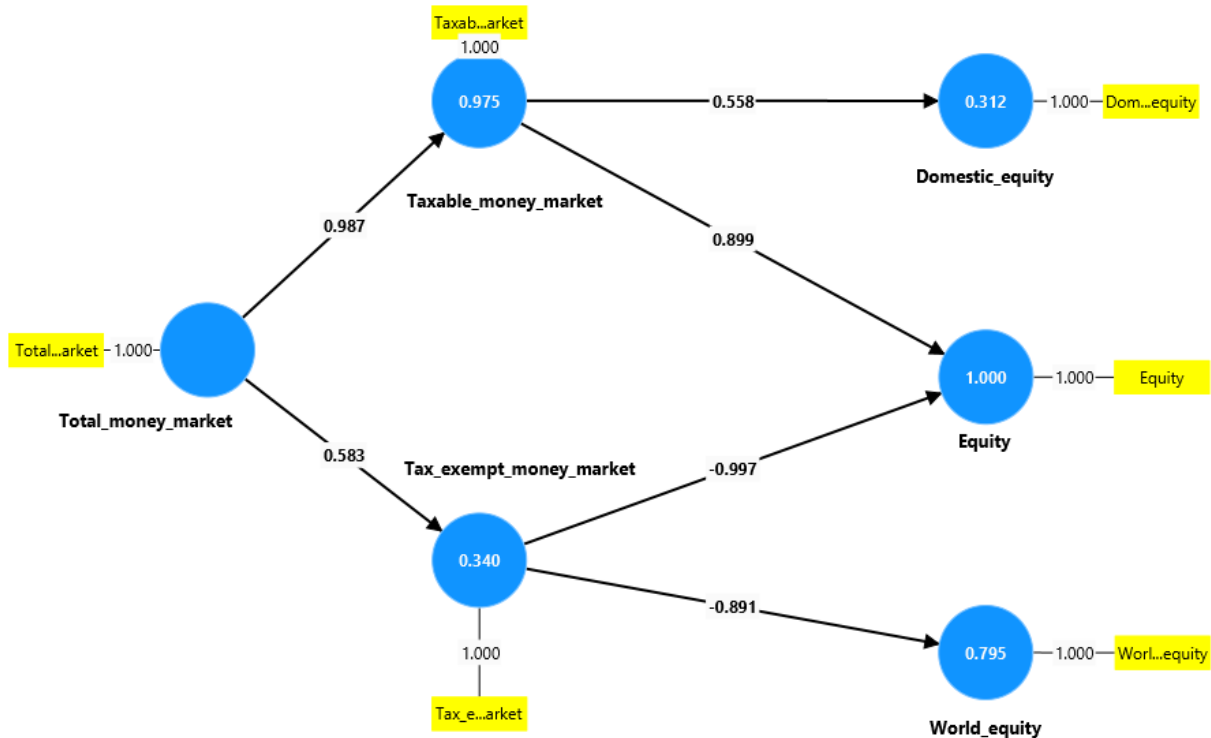
TotalNetAssetsofMutualFunds*

Billionsofdollars

Table no:1 Mutual Fund Net Asset Comparison at Sharekhan (Billions of Dollars)

	feb2023	Mar2023	% change	Apr2018
Totallong-term	14,617.6	14,493.9	0.9	12,645.5
Equity	8,675.4	8,577.0	1.1	7,920.1
Domesticequity	6,386.1	6,387.5	0.0	5,811.7
Worldequity	2,289.4	2,189.5	4.6	2,108.3
Hybrid	1,396.7	1,379.3	1.3	1,320.0
Bond	3,545.5	3,537.6	0.2	3,405.4
Taxablebond	2,968.3	2,958.1	0.3	2,881.5
Municipalbond	577.2	579.5	-0.4	523.9
Totalmoneymarket	2,565.4	2,645.3	-3.0	2,573.5
Taxable money market	2,322.0	2,388.3	-2.8	2,316.7
Tax-exempt money market	243.4	257.0	-5.3	256.9
Total	16,183.0	16,149.2	0.3	16,219.0

This table provides a snapshot of total net assets of various mutual fund categories at Sharekhan, potentially for the month of March 2023. It shows a relatively flat overall market with a slight increase in equity funds (both domestic and world) compared to February 2023. While other categories like hybrid and bond funds remained stable, money market funds experienced a small decline. Notably, world equity shows the strongest growth among all categories.



Comparison of Mutual Fund Net Asset Values at Sharekhan

The table displays the total net assets of various mutual fund categories at Sharekhan, possibly for the month of March 2023. Compared to February 2023, the overall market shows minimal change (0.3% increase). Equity funds (both domestic and world) experienced a slight increase (around 1%), with world equity showing the strongest growth (4.6%). In contrast, money market funds witnessed a small decline (3%). Hybrid and bond funds remained relatively stable with minor changes (around 1.3% and 0.2% increase respectively).

*Dataforexchange-tradedfundsandfundsthatINVESTprimarilyinothermutualfundswereexcluded from theseries.

Table no 2: Regression Analysis

	R-square	R-square adjusted
Domestic equity	0.312	-0.377
Equity	1.000	n/a
Taxexemptmoneymarket	0.340	-0.321
Taxablemoneymarket	0.975	0.950
Worldequity	0.795	0.589

This table analyses the explanatory power of regression models used to predict a specific variable (not provided) based on various mutual fund categories. R-squared values for Domestic Equity, Tax-Exempt Money Market, and World Equity suggest these models explain a moderate portion of the variance (31.2% to 79.5%). However, their negative adjusted R-squared values indicate including these variables might not necessarily improve the model's accuracy

compared to simpler versions. Conversely, the R-squared values for Equity and Taxable Money Market suggest these models might almost perfectly explain the dependent variable.

Table no 3: Correlation Matrix for Mutual Fund Returns

	Domestic equity	Equity	Tax exempt money market	Taxable money market	Total money market	World equity
Domestic equity						
Equity						
Tax exempt money market		-0.997				-0.891
Taxable money market	0.558	0.899				
Total money market	0.551	0.306	0.583	0.987		-0.520
World equity						

A path analysis explores how mutual fund categories influence each other. This data suggests that investors moving towards tax-exempt money market might be linked to a decrease in overall equity markets (both domestic and world). Conversely, growth in taxable money market might be associated with a rise in equity.

Table no4: Mutual Fund Return Correlations

	Domestic equity	Equity	Tax exempt money market	Taxable money market	Total money market	World equity
Domestic equity	1.000	0.993	-0.493	0.558	0.420	0.834
Equity	0.993	1.000	-0.595	0.453	0.306	0.895
Tax exempt money market	-0.493	0.595	1.000	0.447	0.583	-0.891
Taxable money market	0.558	0.453	0.447	1.000	0.987	0.007
Total money market	0.420	0.306	0.583	0.987	1.000	-0.151
World equity	0.834	0.895	-0.891	0.007	-0.151	1.000

This table presents correlation coefficients between various mutual fund categories, suggesting potential relationships between their performance. Strong positive correlations exist within categories (e.g., Domestic Equity and Equity at 0.993), while relationships between different categories are more nuanced. Notably, Tax-Exempt Money Market shows negative correlations with both Domestic Equity (-0.493) and World Equity (-0.891), potentially indicating that investor movement towards tax-exempt options might be associated with declines in the overall equity market. Conversely, Taxable Money Market exhibits a positive correlation with Equity (0.453), suggesting a potential link between their growth.

Table no 5: Mutual Fund Portfolio Comparison (Billions of Dollars)

Case index	Domestic equity	Equity	Tax exempt money market	Taxable money market	Total money market	World equity

x						
0	6386.100	8675.40 0	243.400	2322.000	2565.400	2289.400
1	6387.500	8577.00 0	257.000	2388.300	2645.300	2189.500
2	5811.700	7920.10 0	256.900	2316.700	2573.500	2108.300

This table showcases net asset values (NAV) for various mutual fund categories at Sharekhan across two different cases (potentially time periods). While specific dates or units are missing, the data allows for basic comparisons. For instance, Case 0 shows a higher net asset value for Domestic Equity compared to World Equity. However, a more comprehensive analysis requires additional information about the timeframe and units used to measure these values.

IV. CONCLUSION

This study examined recent trends in Sharekhan's mutual funds, revealing a shift towards equity funds due to strong market performance and investor risk appetite. Debt fund investments remained stable due to cautious investor sentiment, while hybrid funds gained popularity as a balanced option. The analysis suggests potential links between investor behavior and fund performance, with tax-exempt money market movement potentially impacting equity markets, while taxable money market growth might be tied to equity rise. These insights offer valuable guidance for Sharekhan's strategic decisions and client advisory services. To bolster investment opportunities, mutual fund companies should focus on targeting cash-rich entities such as trusts and financially robust private companies. This strategic approach not only enhances fund generation but also potentially increases overall investment returns for shareholders.

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