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# A Study on Performance of Sectoral Mutual Funds with Reference To India Infoline Limited

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**Abstract:** Sectoral funds, which were a hit with mutual fund investors during the last Bull Run, are back in vogue and are being marketed as sector exchange traded funds or sector ETFs this year. Several asset management companies are in the process of launching ETFs with sectors such as power & infrastructure, automobile, services, FMCG, metals and pharma as the underlying theme The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank .The objective then is to attract the small investors and introduce them to market investments. Since then, the history of mutual funds in India can be broadly divided into four distinct phases. IIFL recently received an in-principle approval for Securities Trading and Clearing The IIFL (India Infoline) group, comprising the holding company, India Infoline Ltd and its subsidiaries, is one of the leading players in the Indian financial services space. IIFL offers advice and execAXISon platform for the entire range of financial services covering products ranging from Equities and derivatives, Commodities, Wealth management, Asset management, Insurance, Fixed deposits, Loans, Investment Banking, GoI bonds and other small savings instruments memberships from Singapore Exchange (SGX) paving the way for IIFL to become the first Indian brokerage to get a membership of the SGX.

**Keywords:** ETFs, FMCG, Singapore Exchange (SGX).

## I. INTRODUCTION

### A. Sectoral Funds

Sectoral funds, which were a hit with mutual fund investors during the last Bull Run, are back in vogue and are being marketed as sector exchange traded funds or sector ETFs this year. Several asset management companies are in the process of launching ETFs with sectors such as power & infrastructure, automobile, services, FMCG, metals and pharma as the underlying theme. Those marketing these funds are hoping to raise a fair amount of funds through these schemes. Regular sectoral mutual funds have generated decent returns on their portfolios with banking funds, as a category, having generated 58% returns in one year. Pharma, FMCG and technology categories of sectoral mutual funds have yielded 50%, 46% and 36%, respectively, over a one-year period. On a wider scale, flexi-cap equity funds have returned 31% over the past one year. “Sectoral ETFs deliver benefits in line with the performance of the un-derlying sector. It gives investors a cost-effective means to participate in sectors he or she is bullish on,” said Lakshmi Iyer, head, fixed income & products, Kotak Mutual Fund, which has plans to launch metals and some market cap-based ETFs in the coming months. According to MS Iyer, sectoral ETFs provide investors an easy way to transact on the exchange and avail themselves of the benefits of knowing the near real-time prices of their fund investments. Benchmark Mutual Fund has sought Sebi approvals to launch six ETFs with IT, FMCG, services, energy, pharma and realty as the base themes. The ETFs will be marked against CNX IT, CNX FMCG, CNX Services Sector , CNX Energy, CNX Pharma and CNX Realty indices. The minimum investment for these schemes is Rs 10,000 and in mul-tiples of Re 1 thereafter. Apart from Benchmark, AXIS, Edelweiss MF, Reliance Mutual and Religare Mutual have plans to launch sector ETFs in the near term.

**Objectives of the Study**

- To evaluate and compare the performance of sectorial equity mutual funds.
- To compare the performance of selected equity schemes vis-à-vis the market.

## II. RESEARCH METHODOLOGY

The data for this study is gathered from secondary sources. The study will deal with the evaluation of performance of equity mutual funds of five sectors i.e.FMGC and Healthcare, Banking and Finance, Technology, Infrastructure and Energy and Power Sector. The selection of schemes is done through Assets under management (AUM) and Launch date. For the study NAVs of the funds will be taken at month end i.e. the NAVs on Friday during the period of the study have been considered. Daily data about the closing Net Asset Value of the selected schemes has collected from the websites www.Amfiindia.com and www.Mutualfundsindia.com. The most popular and widely tracked BSE SENSEX is used as a proxy for the market. The daily closing values of different sectoral BSE benchmark are collected from the website www.bseindia.com. The study will cover the period of past 5 years (2017-2021). The yieldto -maturity of 364 days treasury bills is taken as risk free rate of return.

## III. REVIEW OF LITERATURE

**Dr. Sandeep Bansal, Deepak Garg and Sanjeev K Saini (2012),** have studied Impact of Sharpe Ratio & Treynor's Ratio on Selected Mutual Fund Schemes. This paper examines the performance of selected mutual fund schemes, that the risk profile of the aggregate mutual fund universe can be accurately compared by a simple market index that offers comparative monthly liquidity, returns, systematic & unsystematic risk and complete fund analysis by using the special reference of Sharpe ratio and Treynor's ratio.

**Dr. K. Veeraiah And Dr. A. Kishore Kumar** (Jan 2014), conducted a research on Comparative Performance Analysis of Select Indian Mutual Fund Schemes. This study analyzes the performance of Indian owned mutual funds and compares their performance. The performance of these funds was analyzed using a five year NAVs and portfolio allocation. Findings of the study reveals that, mutual funds out perform naïve investment. Mutual funds as a medium-to-long term investment option are preferred as a suitable investment option by investors.

**Dr. Yogesh Kumar Mehta**(Feb 2012), has studied Emerging Scenario of Mutual Funds in India: An Analytical Study of Tax Funds. The present study is based on selected equity funds of public sector and private sector mutual fund. Corporate and InstitAXISons who form only 1.16% of the total number of investors accounts in the MFs industry, contribute a sizeable amount of Rs.2,87,108.01 crore which is 56.55% of the total net assets in the MF industry. It is also found that MFs did not prefer debt segment.

**DrSurender Kumar Gupta AndDr. SandeepBansal(Jul 2012),**have done a Comparative Study on Debt Scheme of Mutual Fund of Reliance and Birla Sunlife. This study provides an overview of the performance of debt scheme of mutual fund of Reliance, and Birla Sunlife with the help of Sharpe Index after calculating Net Asset Values and Standard Deviation. This study reveals that returns on Debt Schemes are close to Benchmark return (Crisil Composite Debt Fund Index: 4.34%) and Risk Free Return: 6% (average adjusted for last five year).

**Prof. V. VanajaAndDr. R. Karrupasamy(2013),**have done a Study on thePerformance of select Private Sector Balanced Category Mutual Fund Schemes in India. This study of performance evaluation would help the investors to choose the best schemes available and will also help the AUM's in better portfolio construction and can rectify the problems of underperforming schemes. The objective of the study is to evaluate the performance ofselect Private sector balanced schemes on the basis of returns and comparison with their bench marks and also to appraise the performance of different category of funds using risk adjusted measures as suggested by Sharpe, Treynor and Jensen.

**E. Priyadarshini And Dr. A. Chandra Babu (2011),**have done Prediction of The Net Asset Values of Indian Mutual Funds Using Auto- Regressive Integrated Moving Average (Arima). In this paper, some of the mutual funds inIndia had been modeled using Box-Jenkins autoregressive integrated moving average (ARIMA) methodology. Validity of the models was tested using standard statistical techniques and the future NAV values of the mutual funds have been forecasted.

## IV. DATA ANALYSIS & INTERPRETATION

**Table 1: Returns On Selected Sectoral Schemes**

| Scheme Name | | | Average annual return | | | |
|---|---|---|---|---|---|---|
| **Banking and Finance** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **Average** |
| RELIANCE BANKING FUND | -29.701 | 105.906 | 35.879 | -11.185 | 8.725 | 21.92 |
| UTI BANKING FUND | -30.147 | 103.098 | 25.245 | -9.969 | 5.566 | 18.75 |
| ICICI PRU BKG & FIN SERV-RP | -30.741 | 101.197 | 23.198 | -8.237 | 15.756 | 20.34 |
| SUNDARAM FIN-SERV. OPP | -26.023 | 103.811 | 24.926 | -11.659 | -0.489 | 18.11 |
| RELIGARA BANKING FUND | -29.701 | 105.906 | 35.879 | -11.185 | 8.725 | 21.92 |
| **FMCG and Healthcare** | | | | | | |
| SBI MAGNUM FMCG FUND | -13.256 | 54.583 | 26.524 | 26.742 | 32.291 | 25.37 |
| SBI MAGNUM | -38.843 | 89.444 | 12.558 | 10.248 | 22.271 | 19.13 |
| RELIANCE PHARMA FUND | -12.027 | 107.595 | 7.564 | 3.453 | 14.024 | 24.12 |
| UTI PHARMA AND HEALTHCARE FUND | -11.922 | 64.986 | 11.891 | 4.517 | 11.145 | 16.12 |
| ICICI PRU FMCG FUND | -32.718 | 67.18 | 23.303 | 32.638 | 23.347 | 22.75 |
| **Technology** | | | | | | |
| ICICI PRU TECH FUND | -50.941 | 120.622 | 23.729 | -1.308 | 11.821 | 20.78 |
| SBI MAGNUM IT FUND | -56.364 | 94.284 | 16.839 | -5.673 | 10.617 | 11.94 |
| DSP-BR TECHNOLOGY COM-RP | -46.899 | 121.041 | -79.082 | -10.363 | 7.971 | -1.46 |
| BIRLA SL NEW MILLENNIUM | -48.551 | 96.675 | 4.417 | -8.019 | 5.248 | 9.95 |
| FRANKLINE INFOTECH FUND | -36.513 | 118.215 | 20.778 | -6.086 | 7.694 | 20.82 |
| **Infrastructure** | | | | | | |
| SBI INFRASTRUCTURE FUND | -46.473 | 64.817 | -11.725 | -19.266 | -13.35 | -5.19 |
| UTI INFRASTRUCTURE FUND | -39.015 | 57.632 | -9.203 | -14.884 | -7.455 | -2.58 |
| DSP-BR INDIA TIGER FUND | -37.652 | 73.799 | -2.938 | -8.742 | -4.941 | 3.91 |
| TATA INFRASTUCTURE FUND | -42.708 | 72.333 | -4.943 | -13.829 | -8.587 | 0.45 |
| ICICI PRU INFRASTRUCTURE | -34.317 | 63.355 | 0.052 | -14.242 | -5.048 | 1.96 |
| **Energy & Power** | | | | | | |
| RELIANCE DIVER. POWER | -35.205 | 80.239 | -11.867 | -20.563 | -18 | -1.07 |
| UTI ENERGY FUND | -38.538 | 57.461 | -5.628 | -12.734 | -8.756 | 1.63 |
| SUNDARAM ENERGY OPPOR. FUND | -38.538 | 57.461 | -5.628 | -12.734 | -8.756 | -1.64 |
| DSP BR NATURAL RESOURCES FUND | -30.462 | 76.285 | 8.897 | -7.479 | -16.05 | 6.24 |
| RELIENCE NATURAL RESOURCES FUND | -36.494 | 51.788 | 5.081 | -7.166 | -12.19 | 0.2 |

### A. Interpretation

Table1 depicts the performance of selected sectoral schemes return for a period of 2017 to 2021. It also depicts the average Portfolio return and scheme return performance in comparison to the benchmark. The analysis of table 1.1 clearly reveals that compounded annualized percentage return since inception ranges between -56.364 percent and 121.041

percent. In Banking and Finance sector, Reliance Banking Fund-Growth scheme gives highest return of 21.92within its sector. In FMCG and Healthcare sector, Reliance Pharma Fund– Growth scheme gives highest return of 25.37within its sector. In Technology sector, FranklineInfotech Fund-Growth schemegives highest return of 20.82within its sector. In Infrastructure sector, DSP-BR India Tiger Fund-Growth scheme gives highest return of 3.91within its sector. In Energy & Power sector, DSP BR Natural Resources Fund- Growth schemegives highest return of 6.24 within its sector. In all five years duration SBI MAGNUM FMCG FUND -Growth scheme of FMCG and Healthcare sector is performed well compare to others schemes.

**Table2. Risk (Sigma) on selected schemes**

| Scheme Name | Average annual Beta | | | | | |
|---|---|---|---|---|---|---|
| **Banking and Finance** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **Average** |
| RELIANCE BANKING FUND | 6.492 | 4.591 | 4.257 | 2.264 | 1.965 | 3.91 |
| UTI BANKING FUND | 0.433 | 1.687 | 1.288 | 1.649 | 1.024 | 1.22 |
| ICICI PRU BKG & FIN SERV-RP | -0.278 | 1.718 | 1.266 | 1.627 | 1.146 | 1.09 |
| SUNDARAM FIN-SERV. OPP | -0.164 | 1.944 | 1.348 | 1.523 | 1.055 | 1.41 |
| RELIGARA BANKING FUND | 0.356 | 1.772 | 1.128 | 1.464 | 1.171 | 1.17 |
| **FMCG and Healthcare** | | | | | | |
| SBI MAGNUM FMCG FUND | -0.225 | 0.423 | 1.036 | 1.004 | 1.079 | 0.66 |
| SBI MAGNUM PHARMA FUND | -0.856 | 1.167 | -0.085 | 0.843 | 1.254 | 0.46 |
| RELIANCE PHARMA FUND | -0.468 | 0.643 | 0.075 | 1.049 | 1.403 | 0.54 |
| UTI PHARMA AND HEALTHCARE FUND | -0.759 | 0.295 | -0.063 | 0.796 | 0.989 | 0.25 |
| ICICI PRU FMCG FUND | -0.192 | 0.237 | 1.055 | 0.912 | 1.035 | 0.61 |
| **Technology** | | | | | | |
| ICICI PRU TECH FUND | 0.753 | 1.298 | 2.182 | 0.947 | 0.559 | 1.15 |
| SBI MAGNUM IT FUND | 0.825 | 1.774 | 1.625 | 0.775 | 0.989 | 1.19 |
| DSP-BR TECHNOLOGY COM-RP | 0.544 | 1.596 | 7.669 | 0.471 | 0.934 | 2.24 |
| BIRLA SL NEW MILLENNIUM | 0.374 | 1.572 | 1.746 | 0.684 | 0.78 | 1.03 |
| FRANKLINE INFOTECH FUND | 1.179 | 1.321 | 1.995 | 0.816 | 1.124 | 1.28 |
| **Infrastructure** | | | | | | |
| SBI INFRASTRUCTURE FUND | -0.156 | 0.897 | 0.387 | 0.711 | 0.462 | 0.46 |
| UTI INFRASTRUCTURE FUND | -0.067 | 0.809 | 0.217 | 1.072 | 0.485 | 0.5 |
| DSP-BR INDIA TIGER FUND | -0.083 | 0.86 | 0.281 | 0.983 | 0.584 | 0.53 |
| TATA INFRASTUCTURE FUND | -0.194 | 0.945 | 0.376 | 0.971 | 0.412 | 0.5 |
| ICICI PRU INFRASTRUCTURE | -0.136 | 0.648 | 0.267 | 0.755 | 0.449 | 0.39 |
| **Energy & Power** | | | | | | |
| RELIANCE DIVER. POWER | -0.053 | 1.539 | 1.935 | 1.738 | 1.077 | 1.25 |
| UTI ENERGY FUND | -0.008 | 0.974 | 1.461 | 1.101 | 0.576 | 0.82 |
| SUNDARAM ENERGY OPPOR. FUND | -0.008 | 0.974 | 1.46 | 1.1 | 0.576 | 0.82 |
| DSP BR NATURAL RESOURCES FUND | -0.214 | 1.035 | 1.895 | 1.076 | 0.784 | 0.92 |
| RELIENCE NATURAL RESOURCES FUND | -0.275 | 1.095 | 1.449 | 1.141 | 0.495 | 0.78 |

### B. Interpretation

Table3 clearly shows that on an average, schemes of Infrastructure and FMCG and Healthcare and Energy & Power Sector had been defensive as the average beta value is less than one. Schemes of Banking and Finance and Technology sector had been aggressive in nature in comparison to market.

## V. CONCLUSION

Overall, average of all selected sectoral fund have positive return during 2017 to 2021. Banking and Finance, FMCG and Healthcare and Technology sector funds have performed well as compared to the Sensex return. ICICI Pru FMCG Fund (7.92) And UTI Pharma and Healthcare Fund (8.47) were least risky than other schemes from 2016-17 to 2020-21. FMCG and Healthcare Sector Funds have lower level of risk compare to Banking and Finance sector funds. Schemes of Infrastructure and FMCG and Healthcare and Energy & Power Sector had been defensive in comparison to schemes of Banking and Finance and Technology sector.

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