
A COMPARITIVE STUDY ON PERFORMANCE ANALYSIS OF TWO SELECT MUTUAL FUND ASSET MANAGEMENT COMPANIES

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Abstract: Most investors want to make investments in such a way that they get sky-high returns as fast as possible without the risk of losing the principal money. This is the reason why many investors are always on the lookout for top investment plans where they can double their money in few months or years with little or no risk. The Schemes of mutual funds of the two companies have been categorized and selected for evaluating their performance and relative risk. The scope of the study is mainly concentrated on the different categories of the mutual funds such as Mutual funds Vs Bank Fixed Deposit and Public and private sector equity schemes of the two asset management companies namely Axis Asset Management Company and Franklin Templeton Ltd. Statistical tools used include, Alpha, Beta, Standard deviation and Sharpe's Ratio. The data has been collected from years 2015 to 2019, from the above mentioned secondary sources. These have been analyzed in order to conduct a comparative study on the better investment option available to the Indian investors among select mutual fund schemes. Wherever possible, facts and graphical diagrams have been used. Such data has then been interpreted and recommendations have been developed.

Introduction: Most investors want to make investments in such a way that they get sky-high returns as fast as possible without the risk of losing the principal money. This is the reason why many investors are always on the lookout for top investment plans where they can double their money in few months or years with little or no risk. However, it is a fact that investment products that give high returns with low risk do not exist. In reality, risk and returns are directly related, i.e., higher the returns, higher is the risk, and vice versa.

So, while selecting an investment avenue, you have to match your own risk profile with the risks associated with the product before investing. There are some investments that carry high risk but have the potential to generate high inflation-adjusted returns than other asset class in the long term while some investments come with low-risk and therefore lower returns.

There are two buckets that investment products fall into - financial and non-financial assets. Financial assets can be divided into market-linked products (like stocks and mutual funds) and fixed income products (like Public Provident Fund, bank fixed deposits). Non-financial assets - most Indians invest via this mode - are the likes of gold and real estate.

By Investment Avenue we mean a particular organization or system in which an investor can place his surplus funds with the objectives of having certain gains in the future. This organization may be well organized like a bank, financial institution, mutual funds and company or in an unorganized manner like chit fund organization, Nidhis (a type of non-banking finance company) or curry (a type of non-banking finance company in southern India). Different investment avenues have different features; few offer a fixed return and certain others offer stock market based returns and yet certain others offer a mix of these two. Few of these have an element of safety and yet others do not have any kind of safety. In certain cases these are in negotiable form and in other cases these are non-negotiable. Investment avenues of a country are subject to different rules and regulations of either the government or some

apex body like Reserve Bank of India, NABARD, SEBI or Companies Act. Following are the features of investment avenues

Review of Literature:

- Anjan Chakarabarti and Harsh Rungta (2000) emphasised the importance of brand in ascertaining competence of asset management companies.
- Shankar (1996) suggested that for penetrating mutual fund culture deep in to society asset management companies have to work and steer the consumer product distribution model.
- Raja Rajan (1997) underlined segmentation of investors and mutual fund products to increase popularity of mutual funds

Objectives of the Study:

- To evaluate investment performance of selected mutual funds in terms of risk and return, using the various statistical tools and parameters.
- To compare and evaluate the performance of various schemes of mutual funds of different asset management companies on the basis of risk, return and volatility.
- To analyze which of the selected mutual funds provides better return than bank FD.

Scope of the Study: The Schemes of mutual funds of the two companies have been categorized and selected for evaluating their performance and relative risk. The scope of the study is mainly concentrated on the different categories of the mutual funds such as Mutual funds Vs Bank Fixed Deposits and Public and private sector equity schemes of the two asset management companies namely Axis Asset Management Company and Franklin Templeton Ltd.

Statistical Tools Used: Statistical tools used include, Alpha, Beta, Standard deviation and Sharpe's Ratio.

Data Collection Method: Secondary data has been used for the research, collected from various publications and reports of the apex bodies, publications of asset management companies, technical and trade journals, books, magazines and reports of various associations connected to the industry. Sampling technique and size: The sample required for the study has been selected through random sampling method from the available list of funds of the two asset management companies. A sample of five mutual fund schemes have been chosen

Plan of Study: The data has been collected from years 2015 to 2019, from the above mentioned secondary sources. These have been analyzed in order to conduct a comparative study on the better investment option available to the Indian investors among select mutual fund schemes. Wherever possible, facts and graphical diagrams have been used. Such data has then been interpreted and recommendations have been developed.

Data Analysis:

Table No. 1: Representing the Preference for Mutual funds Vs Fixed Deposits

Parameter	Mutual Funds	Fixed Deposit
TAX	<36M : Same as FDs but No TDS > 36M: Returns are classified as long term capital gains & are taxed at 20 per cent with indexation.	Attracts tax on interest income & TDS
Liquidity	In terms of Tax, Liquidity and Denomination , Mutual funds are generating more returns when compared to Bank Fixed Deposits	Attracts a penalty on premature withdrawal
Denomination	No minimum; 1 unit	Varies from Rs.500 - Rs. 10,000

Inference: In terms of Tax, Liquidity and Denomination, Mutual funds are generating more returns when compared to Bank Fixed Deposits. In terms of Tax, Liquidity and Denomination, Mutual funds are generating more returns when compared to Bank Fixed Deposits No minimum; 1 unit

Table No. 2: Performance of Axis Assets Management Company

S.No	Particulars	Return	Expenses	SD	SHARPE	BETA	ALPHA
1	Axis Blue Chip Reg	1.74	21.66	11.5	1.19	1.64	4.84
2	Axis Blue Chip Dir	0.63	23.11	11.5	1.3	1.8	6.14
3	Axis Nifty 100 Direct	0	14.86	0	0	0	0
4	Axis Nifty 100 Index Reg	0.07	0	0	0	0	0
5	Axis Nifty ETF						

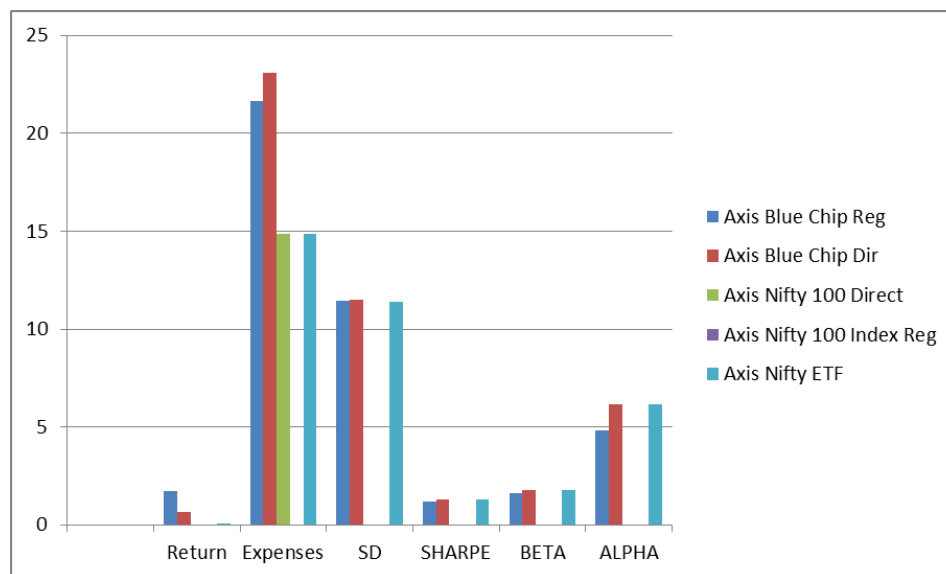


Figure No: 1 Performance of Axis Assets Management Company

Inference:

- In terms of return, Axis Blue Chip Reg is performing well
- In terms of expenses, Axis Blue Chip Dir is high
- In terms of total risk, Sharpe Beta Alpha two funds namely Axis Blue Chip Reg and Axis Blue Chip Dir were more risky

Table No. 3: Performance of Franklin Templeton Assets Management Company

Particulars	Return	Expenses	SD	SHARPE	BETA	ALPHA
Franklin Bluechip Reg	1.9	6.77	12.4	0.27	0.43	0.94
Franklin Bluechip Dir	1.09	7.63	12.2	0.34	0.52	0.94
Franklin Bluechip Reg	1.05	13.43	12.2	0.67	1.04	0.97
Franklin Bluechip Reg	0.47	13.93	12.3	0.71	1.1	0.99
Franklin Bluechip NSE Nifty Reg	0.3	14.41	12.3	0.75	1.16	0.99

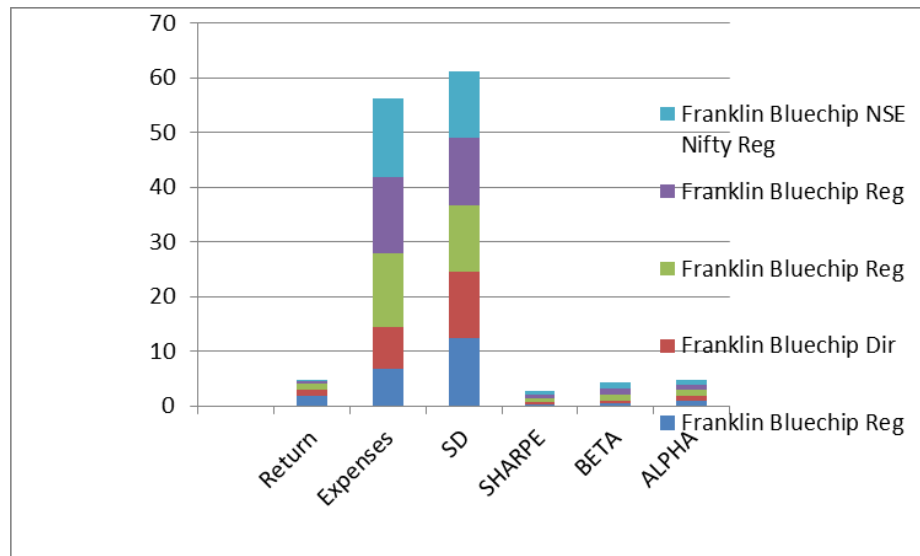


Figure No. 2: Performance of Franklin Templeton Asset Management Company

Inference:

- Franklin Bluechip Reg and Franklin Bluechip NSE Nifty Reg are independent to market risk.
- In terms of return Franklin Bluechip Reg is performing well
- In terms of expenses Franklin Bluechip Reg is high
- In terms of total risk. Franklin Bluechip Reg is more
- In terms of SHARPE ratio, Franklin Bluechip Reg is generating more rewards
- In terms of systematic risk, Franklin Bluechip Reg is less

Findings of the Study:

- In terms of return- Franklin Templeton Asset Management Company
- In terms of expenses- Axis Asset Management Company
- In terms of total risk- Franklin Bluechip Reg
- In terms of SHARPE ratio- Franklin Bluechip NSE Nifty Reg
- In terms of systematic risk- Franklin Bluechip NSE Nifty Reg

Conclusion: The findings show that mutual funds as an investment option have displayed tremendous growth potential when the markets are optimistic and when wise choices are made. They have performed much better than traditional investment options in the long term and thus help investor beat bank FD features to some extent. It is of paramount importance that investors do not make a rash decision simply by looking at the return figures generated by an individual fund, they should compare funds based on the risk and return analysis and find out which fund is giving better returns commensurate to the risk taken. Statistical analysis helps investors make a wise decision looking at facts based on numbers instead of just going by their gut feeling. Also compared to the traditional options, mutual funds provide a more professional approach towards investment and some amount of diversification. The mutual fund industry in India is still in its nascent stages when compared to its American and European counterparts, which means that there is still a huge untapped market and potential for good returns. A thorough analysis clubbed with timely investments might prove Mutual Funds to be an excellent form of investment. As per the study Franklin templeton is performing well.

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