**A STUDY OF PERFORMANCE OF LARGE CAP SCHEMES OF SELECTED MUTUAL FUNDS**

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**DECLARATION**

I hereby declare that this Project Report with the title **A STUDY OF PERFORMANCE OF LARGE CAP SCHEMES OF SELECTED MUTUAL FUNDS**is my original work except for quotations, statements, explanations, and summaries (if any), which I have already mentioned their sources. No portion of this Project Report has been submitted in support of any other degree or qualification of this or any other university or institute of learning.

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**Chapter – 1: Introduction**

**1.1 Introduction to the Project**

Asset management companies (AMCs) are firms pooling investments from various individual and institutional investors. The company manages the investment by investing in capital assets such as stocks, real estate, bonds, and debt funds.

To analyse the performance of five large -cap mutual fund for three years.

**Fund manager role**

The asset management companies have professionals called fund managers who decide where the pooled money is invested. Fund managers identify the investment options that are in line with the objectives of the investors. The fund manager first evaluates various metrics such as market and industry risks, before making a decision that is in line with the investment goals. For instance, a debt fund invests mostly in bonds and government securities to keep the risks minimal. But an equity fund mainly focuses on equities (shares) of companies. The ultimate aim here is to make profitable investment decisions that will give investors maximum returns.

**AMC funds management**

When investors invest with an AMC, investors purchase a portfolio they offer. The company is responsible for driving the mutual fund and making decisions that benefit the investors. Under the leadership of the fund manager. The process is broadly listed below.

1. **Asset Allocation**

Each mutual fund comes with a particular financial goal which helps the fund manager to decide on the assets on which the investments can be made. For example, most debt-oriented funds do not invest more than 20% of their assets under management in equities. Another example is that most balanced funds invest only 60% of assets in equities.

1. **Research and Analysis**

Building the fund’s portfolio needs a lot of researching and analysing the performance of the asset classes. Experts study the market, micro, macro-economic aspects and fund performances regularly, and pass the reports to the fund manager, who then make decisions to generate good returns.

1. **Portfolio Construction**

An AMC typically has researchers and analysts who report their market findings and trends to the fund manager. Based on these findings and investment objectives, the fund manager then chooses the securities to buy or sell. This is how a company builds a portfolio, which depends predominantly on the experience and expertise of the manager.

1. **Performance Review**

Despite the disclaimers, AMCs face a lot of hostility from the investors and trustees, when it is not able to justify its investment decisions then the company must provide unit holders with information that has a direct impact on their holdings. It must also send regular updates on sales and repurchases, NAV, portfolio details, and so on to investors.

**Automatic Investments (SIP)**

To invest in mutual funds, there is a standard facility of automatic investing called SIP. This is a great way to automate investing and create a habit of regular investing. This suits an investor who wants to systematically invest a fixed amount each month on a given date.

**Fees and Cost**

When investing in mutual funds, the investor has to pay Expense Ratio, this is the fees which is charged on daily basis out of the funds, however, the investor never sees it and all the NAV’s which are published are post-expense ratios. These charges are in the range of 2-2.5% for equity mutual funds (fewer charges)

Fund houses reliability there is a widespread notion that mutual funds are not as safe as bank accounts or schemes offered by banks.

People fear that AMCs can shut down at any time. This is because banks are visible to all and regulated by the Reserve Bank of India (RBI).

Mutual funds are also under the purview of RBI and the Finance Ministry and are hence quite safe.

The sponsor or the trustees appoint an AMC for managing the pool of funds. The AMC charges a fee and acts under the supervision of the trustees who are regulated by SEBI. The SEBI ensures objectivity and transparency.

**How to Invest in Mutual Funds**

There are numerous ways to invest in Mutual Funds through the following means:

* Directly through the company’s website
* Through intermediaries such as brokers or R&T Agents
* Through online platforms that work as aggregators

**Taxation**Mutual fund investing has 80C tax benefits if investors can invest in ELSS (tax saving mutual funds) investors can avail of taxation benefits.

In the case of Mutual Funds, the investors have taxed basis the type of scheme and the duration for which they had remained invested. For instance, in the case of equity mutual funds, if one exits from the scheme within the lock-in period (usually 12 months), then 15% tax is applied. However, after that period the proceeds are taxed at 10% if gains exceed Rs. 1 Lakh. (Till the limit of Rs. 1 Lakh it is tax-free)

**Advantages of Mutual fund**

Mutual funds as a product are created for those investors who can’t spend much time themselves to study stock investing. Investors can just pick a “reasonably good” mutual fund on their own using some basic rules or hire a financial advisor who can do that for them.

A mutual fund is managed by a very high-quality and professional fund manager who has years of knowledge of various factors like economy, credit cycle, interest rates cycle, economy, fundamental analysis, taxation, businesses and has years of experience of equity markets across various countries. They have completed professional studies related to wealth management.

The Manager takes decisions on which stock to buy or sell, they have a very deep understanding of the sectors and that business. They visit the companies, their factories and meet their top management. They have hidden knowledge sometimes on what is going on within the companies and can predict the future of companies in a better way compared to a normal person.

**The disadvantage of Mutual funds**

* When invested in mutual funds, an investor cannot control which stocks go in and go out from time to time.
* It might take years for some mutual funds to perform so mutual fund investors have to wait for a prolonged period.
* The return on the mutual fund is restricted as they have invested in many stocks and the return will be averaged.
* The fund manager who is managing the fund may be changed which might affect the return.

**SEBI & AMFI Role in AMC Operations**

An AMC works under the supervision of the board of trustees. But also answerable to India’s capital market regulator, the Security and Exchange Board of India (SEBI). The Association of Mutual Funds in India (AMFI) is another statutory body that addresses investors’ grievances. Every fund house must comply with the set of risk management guidelines by SEBI and AMFI. While SEBI is a government body, mutual fund companies have formed the AMFI. Together, they keep the functioning of the industry ethic-driven and transparent. RBI also plays an essential role in regulating AMCs, if a bank is one of the sponsors. Finally, the Ministry of Finance works as the authority for all these regulators.

**SEBI and AMFI guidelines**

1. The following are some of the practices and guidelines for mutual fund companies that SEBI, AMCI, and RBI mandate:
2. An AMC shall not act as the trustee of any mutual fund.
3. The company shall not invest in any of its schemes unless full disclosure of its intention to invest has been made in the offer documents.
4. They shall submit quarterly reports on its activities and compliance with these regulations to the trustees.
5. Key personnel of an AMC should have a clean record (not convicted of any economic offense).
6. The Chairman of the AMC shall not be a trustee of any mutual fund.
7. The AMC should have a net worth less than Rs.10 crores.

**AMC stands in the overall mutual fund structure**

The Government of India and RBI formed the Unit Trust of India (UTI) in 1963 to regulate the mutual fund industry. Later, when the government permitted public sector banks and institutions to set up mutual funds, the need for an impartial regulator arose. As a result, they passed the SEBI Act (1992) and made AMCs integral to the mutual fund structure. To understand the functions of an AMC better, an investor must know where the AMC stands in the mutual fund structure.

**Sponsor:**Forms a trust and appoints the board of trustees

**Trustees:**Regulate the mutual fund while adhering to SEBI and AMFI

**Asset Management Company (AMC):**

Takes a call on which fund to sell/buy/hold and engages in the buying and selling of securities.

**Registrar and Transfer Agents (RTA):**

They are the record keepers

**Custodian:**

Responsible for holding and safeguarding the mutual fund units.

**The minimum number of investors per scheme:**

SEBI requires each scheme to have a minimum number of investors because funds work on the principle of pooling resources and spreading or sharing risks over a large number of investors. The minimum number ensures that a fund works as a collective investment vehicle rather than an individually tailored asset. The regulator requires that each scheme and individual plans under the scheme have a minimum of 20 investors and no single investor should account for more than 25% of the corpus of such a scheme.

**Minimum portfolio diversification rules:**

A mutual fund scheme must diversify across assets and securities in the same asset class. This is essential to reduce the internal or unsystematic risks associated with investments.

**Diversification norms for equity funds:**

As per Sebi, the investment in equity shares or equity-related securities of a single company must not exceed 10% of the net assets of the scheme. For unlisted securities, the restriction is more stringent. For open-ended funds, investment in unlisted securities should not exceed 5% of the net assets.

**Diversification norms for debt funds:**

Sebi restricts the investment is rated investment-grade debt instruments issued by a single issuer to 15% of the net assets of the scheme. The limit can be extended to 20% with the prior approval of the trustees and board of AMCs. In the case of unrated debt instruments, the schemes are permitted to invest up to 10% of their net assets in schemes of a single issuer.

**Other restrictions:**

To ensure that fund sponsor do not acquire control of any company, Sebi has directed that a mutual fund, under all its schemes taken together, should not own more than 10% of any company’s paid-up capital carrying voting rights. Besides, the funds must buy or sell securities only for delivery. Short-selling (selling without owning the shares) and carrying forward transactions are not permitted.

Mutual funds are also not allowed to advance any loans but can lend securities per SEBI’s stock lending scheme. Funds can hold cash only in scheduled banks, not in any other bank.

A mutual fund is prohibited from investing in any unlisted security or security issued through private placement by an associate or a group company of the sponsor. Moreover, investments are restricted up to 25% of the net assets in the case of listed securities of group companies of the sponsor.

This is to ensure that sponsors do not use investor funds to strengthen their other group companies.

**Regulatory perspective**

Mutual Funds are strictly regulated by SEBI and monitor their activities and investment decisions.

**Transparency**Mutual Funds offer timely disclosures to the clients. In the case of Mutual Funds, clients can get all relevant information such as portfolio disclosures, the commission given to distributors, daily performance data, etc. There are numerous websites through which the performance of each scheme can be tracked.

**Flexibility**In Mutual Funds, the pooled-in corpus can only be invested in asset categories as per the scheme’s objective. They need to confine their investments to a stated objective or any such stringent terms.

**Ownership**Mutual Funds are held by the AMC or Fund House and the investors receive units of the scheme.

**Risk**Mutual Funds cater to all types of investors. An investor with a high-risk appetite can go for an aggressive equity scheme. Someone who is risk-averse or lower on the spectrum can go for a hybrid or balanced fund. The risk quotient in Mutual Funds is reduced to a certain extent as the risk gets spread across a wide range of stocks.

**Ease of Investing**

Investments in Mutual Funds can be made easily through multiple channels such as the company's website, through R&T Agents or distributors, or with the help of online platforms.

**Cost Structure**

Mutual Fund charges fees daily as a percentage of AUM and is capped for all schemes. For investors who do not have too many funds at hand but still want to enter into the equity market, Mutual Funds are best.

**Mutual Fund Riskometer – How to measure risks?**

Like all other investment options, mutual funds also come with a certain degree of risk. Weighing the risks before investing is essential, and a mutual fund risk meter can help

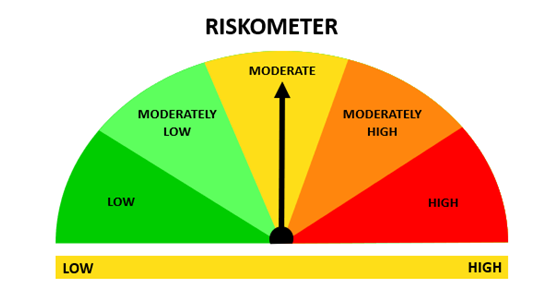
**1. Understanding Riskometer**

Investment decisions are usually based on an investor’s risk appetite. Someone in their early or mid-twenties might have an aggressive approach towards investing in equities, whereas a retired person is likely to prefer risk-averse fixed-income investments. To help investors be aware of the risks associated with mutual fund investments, SEBI has made it mandatory for all fund houses to display a risk meter depicting the five levels of risk effective July 1, 2015.

According to the norms, ‘the color codes will have to be displayed on the front page of the application forms next to the name of the scheme.’ These color codes will be representative of the financial risk associated with the scheme. As per the SEBI circular, ‘The depiction of risk using color codes would be replaced by pictorial meter named risk meter and this meter would appropriately depict the level of risk in any specific scheme.

**2. Reading the Riskometer**

The Association of Mutual Funds in India (AMFI) has issued clear guidelines on how a fund would be classified under the different levels of risk.



As shown in the figure, the risk meter has five levels of risks. It is made to look similar to a car’s speedometer and indicates the scheme’s risk level. The five risk levels are ‘low’, ‘moderately low’, ‘moderate’, ‘moderately high’ and ‘high’

**Low-risk level**

Securities and instruments such as fixed maturity plans, gilt funds and income funds usually come under this classification. These are considered to be the safest mutual funds and are suited for an investor looking for a safe income source.

**Moderately low-risk level**

Short to medium-term bonds usually come under this category. They are considered safe investments and are suited for investors who can stay invested for 1-3 years.

**Moderate risk level**

It signifies that the funds in this category have their principal at moderate risk. Instruments such as arbitrage funds, MIP funds, and hybrid debt-oriented funds are suited for a semi-conservative investor who intends to book decent profits at the same time wants to keep his risk limited. Funds under this label are suited medium to the long-term investment horizon.

**Moderately high-risk level**

It signifies that the funds in this category have their principal at moderately high risk. Usually, balanced equity-oriented funds, diversified equity funds, index funds and Gold ETFs are classified under this label. Products under this label are suited for investors seeking to create wealth over a long period. Investment in equity under such funds is related to the large-cap segment.

**High-risk level**

This label means that the funds in this category have their principal at high risk. Sectorial funds, thematic funds, international funds and micro-cap funds are a few examples of funds under this label. Products under this label are suited for investors seeking to create wealth over a long period and are fine with the high risk associated with their bet.

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| **Riskometer label** | **Suitable Investor Type** | **Investor Persona** |
| **Low** | **Conservative** | The investor’s top priority is the safety of capital. She/he is willing to accept relatively low returns against a low risk of principal. |
| **Moderately Low** | **Moderately Conservative** | An investor is willing to accept a small level of risk in exchange for some potential returns over a medium to long-term. |
| **Moderate** | **Moderate** | An investor can tolerate a moderate level of risk in exchange for relatively higher potential returns over a medium to long-term. |
| **Moderately High** | **Moderately Aggressive** | Investor is keen to accept a relatively higher risk to maximize potential returns over the medium to long-term. |
| **High** | **Aggressive** | Investor is willing to accept a significant risk to maximize potential returns over the long terms and is aware that she/he may lose a significant part of the capital. |

Since the universe of mutual funds is vast with hundreds of funds out there, investors can use the new risk meter to choose schemes that are in sync with their risk appetite. This meter is especially useful to investors who are new to the world of mutual funds and usually depend on the advice of their financial advisors.

However, it is essential to note that although the risk meter can give an overall idea of the risk level, there are many factors involved that should be considered while selecting a fund and a risk meter should not be the sole indicator. Hence, it is important to do your homework and judiciously make the decision regarding your investments.

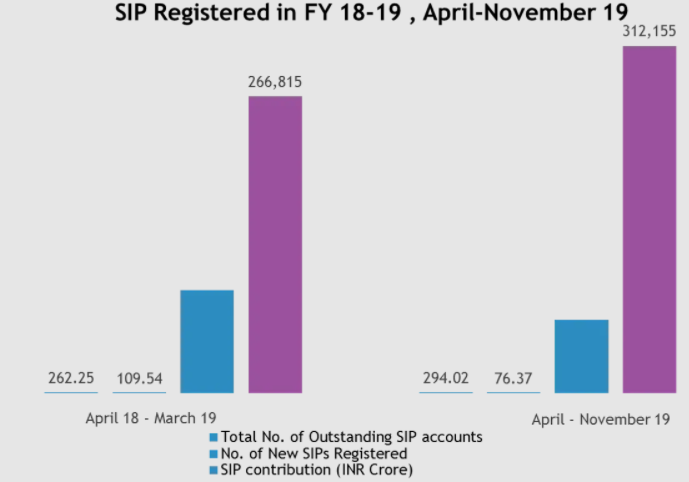
**Market overview**

India Asset Management Market is estimated to grow at a CAGR of approximately 14 % during the forecast period. India’s asset management companies (AMCs) own (AUM) worth INR24.46 trillion, out of the total industry assets, around 80% is owned by the top 10 AMCs in the market. Assets managed by the Indian mutual fund industry have grown from INR23.59 trillion in November 2018 to INR26.94 trillion in November 2019 (based upon the average assets per month). That represents a 14.21% growth in assets over November 2018. Rising AUM and regulatory effort to lower cost for customers are seen bringing down yield (Total Expense Ratio) on AUM for the industry in the long run. However, growth in AUM with a favorable mix and continued focus on improving operational efficiency makes a case in favor of sustainable growth in earnings. The past few years have witnessed a significant evolution in the asset management industry in India, Individual investors have grown at a significant pace and now command nearly 58% of the AUM. Equity as an asset class has grown in prominence, now accounting for nearly 45% of the AUM as against 23% five years ago. A large share of this shift has been driven by increasing penetration across B15 cities that now account for nearly a quarter of the AUM.



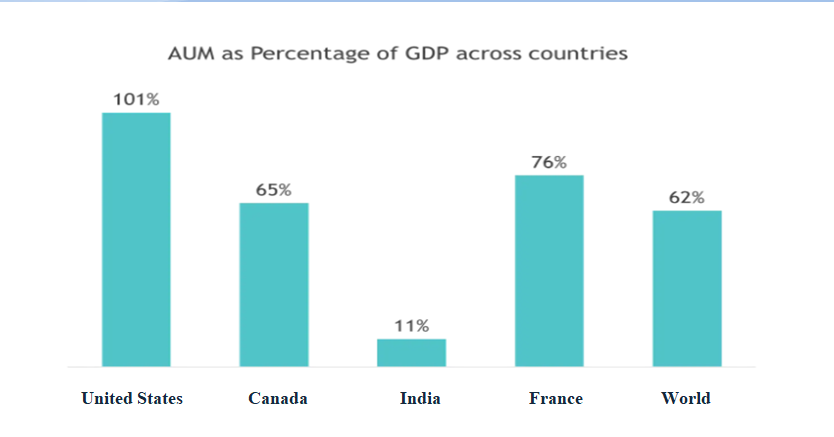
**Increase in SIP’s (Systematic Investment Plan) accounts:**

Systematic investment plans (SIPs) have made retail investing more sustainable, shielding investors from market volatility. On average, 9.55 lacs SIP accounts each month during the FY 2019-20, with an average SIP size of about INR 2,800 per SIP account. Mutual Fund SIPs accounts stood at 2.94 crores and the total amount collected through SIP in November 2019 was INR 8,273 crore. SIP continued to be the preferred route for retail investors to invest in mutual funds as it helps them reduce market timing risk, The SIP installment amount could be as small as INR 500 per month. SIP is like a recurring deposit where you deposit a fixed amount every month. SIP is a very convenient method of investing in mutual funds through standing instructions to debit your bank account every month, without the hassle of having to write out a cheque each time. SIP has been gaining popularity among Indian MF investors, as it helps in Rupee Cost Averaging and in investing in a disciplined manner without worrying about market volatility and timing the market.

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**Under Penetration pf Mutual Funds offers growth potential**:

India lags most major nations of the world in terms of AUM of mutual funds as a percentage of gross domestic product (GDP) at just 11% versus the world average of about 62%. Relatively low penetration provides a large potential and opportunity for strong growth ahead. India provides huge untapped potential and opportunity for Mutual Funds to be a great vehicle to funnel household savings into productive investments. The industry saw exponential growth in the retail base with the industry adding over 4 crore new accounts and assets under management more than doubling from around INR11 trillion to over INR25 trillion. Another notable trend has been the growing investor participation from tier II and tier III towns which now contribute about 23% of the industry’s individual investor assets.



**Top 15 AMC in India**

**SBI Mutual Fund**

SBI Funds Management Pvt Limited is a joint venture between the State Bank of India (SBI) and financial services company Amundi, a European Asset Management company in France. It was launched in 1987. Ms. Anuradha Rao is the Managing Director and CEO. In 2013, SBI Fund Guru, an investor education initiative was launched.

**HDFC Mutual Fund**

HDFC Mutual fund is one of the largest asset management companies in the country. HDFC Asset Management Company (AMC) was incorporated in 1999. It was approved to act as AMC for HDFC Mutual Fund in 2000. Milind Barve is the Managing Director of HDFC Mutual Fund.

**ICICI Prudential Mutual Fund**

ICICI Prudential Asset Management Company Ltd. is one of the largest asset management companies (AMC) in the country. It is a joint venture between ICICI Bank in India and Prudential Plc, in the UK. It was started in 1993. Ms. Chanda Kochhar is the Chairperson of this AMC. Apart from mutual funds, the AMC also caters to Portfolio Management Services (PMS) and Real Estate for investors.

**Aditya Birla Sun Life Mutual Fund**

Aditya Birla Sun Life Mutual Fund is one of the largest mutual fund companies or AMC in the country. Formerly known as Birla Sun Life Asset Management Company. Presently it is known as Aditya Birla Sun Life (ABSL) Asset Management Company Ltd. It is a joint venture between the Aditya Birla Group in India and Sun Life Financial Inc of Canada. It was set up as a joint venture in 1994.

**Kotak Mahindra Mutual Fund**

Kotak Mahindra Mutual Fund is a part of the Kotak Group established in 1985 by Mr. Uday Kotak. Kotak Mahindra Asset Management Company (KMAMC) is the asset manager for Kotak Mahindra Mutual Fund (KMMF). KMAMC started its operations in 1998.

**Nippon India Mutual Fund**

Nippon India Mutual Fund a part of Reliance Anil Dhirubhai Ambani (ADA) Group, Reliance Capital Limited (RCL) is the sponsor and Reliance Capital Trustee Co. Limited is the trustee of Reliance Mutual Fund (RMF). It was registered on June 30, 1995. Nippon India Mutual Fund was originally Reliance Capital Mutual Fund and changed its name in 2004.

**Axis Mutual Fund**

Axis Mutual Fund had launched its first scheme in 2009. Mr. Chandresh Kumar Nigam is the MD & CEO. Axis Bank Limited holds 74.99% in Axis Mutual Fund. The remaining 25% is held by Schroder Singapore Holdings Private Limited.

**UTI Mutual Fund**

UTI Mutual Fund is a part of the Unit Trust of India (UTI). It was registered with SEBI in 2003. It is promoted by SBI, LIC, Bank of Baroda, and PNB. UTI is one of the oldest and largest mutual funds in India. UTI Mutual Fund was the pioneer in launching various schemes like Unit Linked Insurance Plan (ULIP). Mr. Leo Puri is the Managing Director for this mutual fund house.

**IDFC Mutual Fund**

IDFC Asset Management Company Ltd. was established in 2000. IDFC Financial Holding Company Limited holds the entire shareholding in IDFC Asset Management Company. IDFC continues to be the sponsor of IDFC Mutual Fund. Moreover, it also continues to hold a controlling interest in IDFC AMC.

**DSP Mutual Fund**

DSP BlackRock is a joint venture between DSP Group and BlackRock, the world’s largest investment management firm. DSP BlackRock Trustee Company Private Ltd. is the trustee for the DSP BlackRock Mutual Fund.

**Franklin Templeton Mutual Fund**

Franklin Templeton India office was set up in 1996 as Templeton Asset Management India Pvt. Limited. This mutual fund has now been set up by the name, Franklin Templeton Asset Management (India) Pt Limited.

**L&T Mutual Fund**

L&T Investment Management Limited is the Asset Management Company (AMC) for all L&T Mutual Fund schemes. L&T Finance Holdings Limited (LTFH), a listed company, is the sponsor for the AMC. It started its operations in 2010.

**Mirae Asset Mutual Fund**

Mirae Asset was founded in 1997. Mirae Asset Mutual Fund is sponsored by Mirae Asset Global Investments Co. Limited, South Korea.

**Motilal Oswal Mutual Fund**

Motilal Oswal Asset Management Company Ltd. (MOAMC) is a public limited company incorporated on November 14, 2008. Motilal Oswal Trustee Company Ltd. is the trustee company. Motilal Oswal Mutual Fund is sponsored by Motilal Oswal Securities Limited. Motilal Oswal Securities Limited (MOSL) is promoted by Motilal Oswal Financial Services Limited.

**Large cap Mutual Funds**

Large cap mutual funds predominantly invest in companies having a large market capitalisation. Large cap funds are known to offer consistent returns. The companies in which large-cap funds invest are generally leaders in their field of business and hence, tend to remain more stable when compared to small or mid-cap companies at times when the markets go volatile. The large cap companies typically have a good track record in the market backed by healthy corporate governance practices.

**What is Large Cap Mutual Funds?**

Large cap mutual funds are a class of equity funds that invest mostly in the equity and equity-linked instruments of companies ranked under 100 in market capitalisation. Large cap companies are known for their stability and have a track record of providing consistent returns. However, these companies may be outperformed by small and mid-cap companies during the bullish market trends. Conservative equity investors may consider investing in these funds as the underlying companies are not affected much by the market movements. Therefore, these funds are less volatile than small and mid-cap funds. The asset allocation of large companies is mostly made towards the securities issued by blue-chip companies.

**Who Should Invest in Large Cap Funds?**

As mentioned above, the large cap funds are suitable for conservative equity investors. Since the asset allocation of these funds is predominantly made towards the securities issued by relatively stable companies, the performance of these funds is stable. This makes large cap funds less vulnerable to the volatility seen in the equity markets.

Investing in large cap funds is suitable for those looking to diversify their portfolio with the stocks of leading companies across market sectors. If one sector fails to meet the expectations, the other sectors may help in reducing the adverse effects. On the flip side, the returns offered by these companies can be curtailed as the underlying companies are stable and generally provide lower returns than small and mid cap companies.

You may consider investing in these funds if you are not willing to take a high risk and are happy with average returns. First-time equity investors may get started with their market-linked investments by investing in these funds. This will give them a glimpse of what mutual funds are capable of.

**Risk Involved With Large Cap Funds**

Since large-cap funds are equity funds, they come with the same risks that any other equity fund carries. The following are the risks associated with a large-cap fund:

**Market Risk**

Market risk is the possibility of the markets underperforming. Several economic and geopolitical factors affect market movements.

**Concentration Risk**

Concentration risk is the possibility of suffering massive losses due to investing predominantly in stocks of a particular sector company. There is no doubt that you make significant gains when you concentrate your investments in a given sector, and it performs well. On the flip side, your losses would be magnified if that sector fails. The old saying of ‘don’t put all your eggs in one basket holds good for investments as well.

**Interest Rate Risk**

The interest rates move depending on the availability of credit with issuers and the demand for the same in the market. An increase in the interest rate may result in the security’s price moving in an adverse direction.

**Liquidity Risk**

Liquidity risk is the possibility of the fund manager being unable to sell the securities at a profit due to the lack of buyers.

**Credit Risk**

Credit risk is the possibility of the issuer of the security not standing up to their obligation to pay interest and return the principal invested at the time of maturity.

**Things an Investor Should Consider While Investing in Large Cap Funds**

Large cap funds are also subject to market risk. Investors must consider factors that may impact the performance of their investment and ultimately, the returns. Investors should keep in mind their age, risk profile, goals, and investment horizon while making any investment decisions.

Following are some of the factors that investors must analyse while investing in large-cap mutual funds.

**Know your investment objective**

Check if the objectives of the fund are in line with your goals. Understand the style of fund management to know about the performance of the funds.

**Past performance of the large cap fund**

Analysing the past performance is crucial while deciding to invest in large cap funds. Pick those funds that have been consistent in their numbers in all market conditions and cycles.

**Experience of the fund manager**

Fund managers, particularly in the case of large cap mutual funds, play a definitive role in the generation of returns. Fund managers with experience and expertise will be able to move the capital in the right direction when the market looks promising.

**Expense ratio**

Expense ratio impacts investors directly and includes costs such as the brokerage fee, the fee charged by the mutual fund house, and so on. Some fund houses may charge a high fee but also offer higher returns. Keep in mind the fee, other charges, NAV, and returns before shortlisting funds.

**Know about the exit load**

This is a cost that investors directly incur. Despite exit load coming into the picture only at the time of redemption, you should still consider it. Exit load takes away a fraction of the NAV. Hence, the lower exit load translates into higher returns.

**How to Evaluate Best Large Cap Mutual Funds?**

As an investor, you must look at specific financial ratios to evaluate mutual funds. The following are some of the important ratios to be considered:

**Sharpe ratio**

Sharpe ratio measures the risk-adjusted return of a mutual fund scheme. If a fund has a higher Sharpe ratio, then it is considered relatively better than its peers.

Sharpe ratio = (Mean portfolio return − Risk-free rate)/Standard deviation of portfolio return

**Standard deviation**

The dispersion of a set of data from its mean or average is measured through standard deviation. In finance, standard deviation indicates the volatility of an investment from its annual rate of return. A stock having a higher standard deviation will have a larger price range, which again is indicative of higher volatility in comparison to stocks with a low standard deviation.

**Beta**

Beta indicates a fund’s sensitivity to the correlated market movements. If a fund registers a Beta of 1.0, then it means that its volatility is precisely equal to the benchmark. If a fund has a Beta of 0.90 or less, then it means that it is 10% less volatile and if the Beta is 1.40, then it means that the fund is 40% more responsive than the benchmark.

**R-Squared**

R-Squared reflects the percentage of fund returns that fall in line with the benchmark returns. The value of R-Squared rests between 0 and 1 and is denoted as percentages from 0 to 100%. A fund with an R-Squared of 100% will have its securities’ movements explained by movements in the index. A higher value of R-squared means a more useful beta figure.

**Alpha**

Alpha is a measure of the fund manager’s ability to make profits when the benchmark registers a profit. Alpha can be equal to 1.0 or even less or more than 1.0. The higher the Alpha, the more is the ability of the manager to generate profits from the benchmark movements.

**Advantages and Disadvantages of Best Large Cap Mutual Funds**

**Advantage of large cap mutual funds**

One of the most significant advantages of investing in large-cap funds is the stability they offer. These companies have a solid track record, providing regular payment of dividends as well. This compensates for the fact that large-cap funds do not have the potential to offer very high returns.

Because of their presence in the market for many years, investors can access their profitability and financial details for the course of time to assess their performance before making any decisions. This financial research data, when viewed alongside the history of the company and its present business activities, can help in the accurate determination of the valuation.

**Disadvantages of large cap mutual funds**

These funds have been characterised as an ideal investment option for new investors or those that do not wish to take risks. One disadvantage of this fund is that the growth potential of underlying stocks might be limited.

The returns generated also happen to be lower than those that one gets from the small and mid-cap funds. In addition to this, it is the fund manager who takes the decisions about the stocks in your portfolio, which leaves you with little or no control over the portfolio.

**Objectives of the Project**

Here I have taken the data from <https://www.amfiindia.com/> in that I have selected the open ended fund which is invested mostly in the equity in the large cap index. I will compare the different funds which are run by different AMC companies based on the asset under management, performance for three years. I will also compare the performance of the fund which is invested through a systematic investment plan. The performance of each fund will be compared with the benchmark index which was mentioned by the AMC. The index consists of a basket of funds that are given a specific weightage.

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**Chapter – 2: Review of Literature**

In recent times study of the performance of the mutual fund has become a topic of interest among researchers. Conversely Rajesh Kumar, Rituraj Chandrakar( 2012) evaluate the performance of 29 open-ended, growth-oriented equity schemes for the period from April 2005 to March 2011 (six years) of the transition economy. The study revealed that 14 out of 29 (48.28 percent) sample mutual fund schemes had outperformed the benchmark return. The results also showed that some of the schemes had underperformed; these schemes were facing the diversification problem. Dr.R.Narayanasamy, V.Rathnamani, (2013) evaluate the performance of selected equity large cap mutual funds schemes in terms of risk-return relationship. The performance analyse of the selected five equity are large cap funds. The study may conclude that all the funds have performed well in the high volatile market movement except Reliance vision.

Dr.S.Narayan Rao,(2003) evaluates the performance evaluation of Indian mutual funds in a bear market is carried out through relative performance index. The results of performance measures suggest that most of the mutual fund schemes in the sample of 58 were able to satisfy investor’s expectations by giving excess returns over expected returns based on both low-grade for systematic risk and total risk. Suchita Shukla (2015) analyzed the financial performance in terms of risk-return relationship of selected mutual fund schemes (5 categories ×3 mutual fund= 15 schemes). The study reveals that Overall the mutual funds have given better returns than the benchmark in the above period subject to infrastructure fund in the year 2013. Sahiljain (2012) evaluates the performance of equity-based mutual funds. A total of 45 schemes offered by 2 private sector companies and 2 public sector companies have been studied over the period April 1997 to April 2012 (15 years). The analysis has been made using the risk-return relationship and Capital Asset Pricing Model (CAPM). The overall analysis finds that HDFC and ICICI have been the best performers, UTI an average performer and LIC the worst performer which gave below-expected returns on the risk-return relationship.

Dr.Shriprakashsoni, Dr.Deepali, Dr.Maheshbhutada, (2015) Comparative analysis of mutual fund schemes available at Kotak mutual fund and HDFC mutual fund. The study concludes that Kotak Mutual Fund schemes are more destructive in Large Cap Equity schemes and HDFC Mutual Fund schemes are more destructive in Mid Cap Equity schemes whereas both the companies schemes are very well managed in the debt market. Kotak Select Focus is the best scheme in large cap Equity, HDFCA Study on Performance Evaluation of Mutual Funds Schemes in India Mid-Cap is the best scheme in Mid-Cap sector and HDFC Balanced Fund is the best scheme in Balanced Fund for investment - Dr.R.Karrupasamy, Mrs.V.Vanaja, (2014) This study reveals that majority of the public sector schemes selected for the study outperformed the category average and also benchmark indices and the majority of the diversified schemes performed well on the basis of the performance index. Dr.Vikaskumar (2011) analysed the open ended schemes shows that out of twenty five schemes namely Reliance Growth Fund, Reliance Vision Fund, ICICI Prudential Tax Plan, HDFC Top 200 and Birla Sun Life Equity Fund, performs better in comparison to benchmark index BSE-100 index in terms of monthly average return and risk involved in these schemes less than benchmark. Kalpesh, P.Prajapati, Mahesh.K.Patel( 2012) It evaluates the Indian mutual funds is carried out through relative performance index, risk-return analysis, Sharp's measure, Jensen's measure, and Fama's measure. All selected mutual fund companies have positive returns from 2007 to 2011. HDFC and Reliance mutual fund has performed well as compared to the Sensex return. ICICI prudential and UTI Mutual fund has lower level of risk compared to HDFC and Reliance mutual fund. Tej Singh, Priyanka (2014) analysed the private sector of mutual funds is gaining more in terms of the scale of mobilization of funds compared to that of public sector mutual funds. The study reveals that the private sector mutual funds are gaining more in terms of the scale of mobilization of funds compared to that of the public sector. The gap is reaching up to 81 percent in 2003-04 from 31 percent in 1998-99 and finally settled at 54 percent in 2009-10

“A study on comparative analysis of mutual fund and investor perception in Livwealthy, Bangalore” done by Mr. Supriya D where he conducts convenient survey based on age, occupation, income, risk preference, holding period, the amount invested etc to know about the investor perception towards the mutual fund. He also evaluates Evaluate the performance of different funds based on different performance measurement ratios such as sharp ratio, standard deviation, beta and R-square. The mutual fund performance is compared for six months, one year, three years and five years.

**Funds considered for this study:**

**Large cap funds selected for ratio analysis:**

1. SBI Blue-chip Fund
2. Nippon India Large Cap Fund
3. IDFC Large Cap Fund
4. L&T India Large Cap Fund
5. DSP Top 100 Equity Fund

**Statement of problem:**

The ratios of the mutual fund are not available in the <https://www.amfiindia.com/> only the historical NAV is available on the website

**Objective of the project:**

The objective of the project is to use excel to calculate the different ratios of the mutual fund using the NAV data

**Benchmark index:**

Benchmark is an index that is used to Measure a Mutual Fund's overall performance. It provides an indicative value of how much one's investment should have earned, which can be compared against how much it has earned in reality. Ideally, a Mutual Fund's target should be to match its benchmark return.

The benchmark index selected here is S&P BSE 100Large Cap Total Return IndexPartnership On February 19, 2013, S&P Dow Jones Indices and the BSE Ltd. (formerly Bombay Stock Exchange (“BSE”) announced their strategic partnership to calculate, disseminate, and license the widely followed BSE suite of indices.

SEBI introduced total return index (TRI) based benchmarks in 2018. TRI takes into account the price changes plus dividends. The introduction to TRI in mutual funds was supposed to offer investors a clearer picture of what the mutual fund earned. Active large cap schemes mostly use Nifty 100 TRI and S&P BSE 100 TRI. Passive schemes use indices like Nifty 50 TRI, BSE Sensex TRI, Nifty 100 TRI, BSE 100 TRI, and so on.

**S&P BSE 100 Large Cap TMC:**

The index measures the performance of 100 of the largest and most liquid companies within the S&P BSE 500, as selected by total market capitalization.

**S&P BSE 100 Large Cap TMC Index Sector wise Market Capitalisation**

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**Chapter-3: Research Methodology**

The mutual fund NAV is calculated every day and the data is available in https://www.amfiindia.com/. The data is downloaded for three year for the five mutual funds selected then the risk and return is measured.

**Nature of the data:**

The data has to be downloaded in excel format containing historical NAV for a specific period, AMC name, fund name, plan details, net asset value, repurchase price, sale price and NAV date.

**Sampling and Sampling methods:**

The Mutual funds are strictly monitored and there is no possibility of errors.

**Limitations of the project:**

Past performance does not indicate the result of the future.  
The fund manager may change in the fund which might affect the future performance.  
The project may not be relevant when predicting performance in the market crash which may give the wrong conclusion.

The project may not compare the actual companies which were held by the AMC fund, the actual bought and sold price is not taken here only the total return is calculated.

**Ratios calculated:**

Microsoft Excel is used to calculate the different ratios given below and based on the findings the fund is ordered based on the risk to returns.

**Total Expense Ratio:**

The total expense ratio (TER) is a measure of the total costs associated with managing and operating an investment fund, such as a mutual fund. These costs consist primarily of management fees and additional expenses, such as trading fees, legal fees, auditor fees, and other operational expenses.

**Standard deviation:**

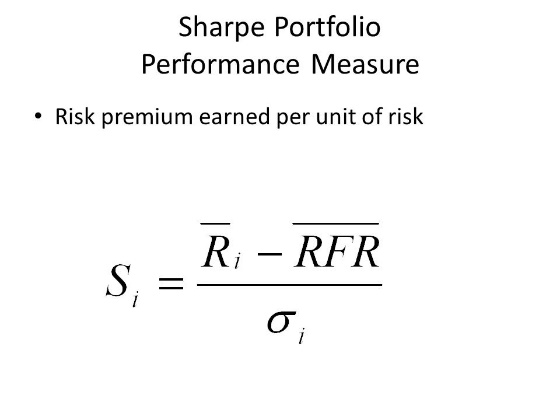
Standard deviation is a statistical measurement that shows how much variation there is from the arithmetic mean (simple average). Standard deviation is the volatility of past mutual fund returns.  
A high standard deviation indicates greater volatility in the returns and greater risk. Mathematically, the standard deviation is equal to the square root of variance.

Standard Deviation = [1/n \* (xi – x)2]1/2

where:xi = each data point, x = mean, n = number of data points or time periods

**Sharp Ratio:**

Named after its founder William F. Sharpe, the Sharpe Ratio measures the risk-adjusted performance of a mutual fund. It is calculated by dividing the excess returns of a mutual fund scheme over a risk-free rate with the standard deviation of the fund’s returns over a specific period.  
Formula for Sharpe Ratio = (Average fund return – risk free rate of return) / standard deviation of the fund’s returns over a given period.



A higher Sharpe ratio denotes that a fund is performing well. However, if the Sharpe Ratio is negative, it implies that the fund is underperforming to the risk-free rate of return.

|  |  |
| --- | --- |
| **Sharpe Ratio** | **Inference** |
| <1 | Bad |
| 1-1.99 | Good |
| 2-2.99 | Very Good |
| >3 | Excellent |

**Treynor Ratio:**

Similar to the Sharpe Ratio, Treynor Ratio also measures excess returns provided by the mutual fund scheme over a risk-free rate, except that it uses market risk (represented by Beta) in the denominator instead of standard deviation.

Formula for Treynor Ratio = (Average fund return – risk free rate of return) / Beta of the mutual fund were Beta = (standard deviation of mutual fund / standard deviation of the benchmark) x R square.

**Beta:**

The beta (β) of investment security (i.e. a stock) is a measurement of its volatility of returns relative to the entire market. It is used as a measure of risk. A company with a higher beta has greater risk and also greater expected returns.

​Beta coefficient (*β*)=Variance (*Rm*​) / Covariance(*Re*​,*Rm*​)

​**Where:**

*Re*​=the return on an individual stock

*Rm*=the return on the overall market

Covariance=how changes in a stock’s returns are related to changes in the market’s returns

Variance=how far the market’s data points spread out from their average value​  
The beta coefficient can be interpreted as follows:

* β =1 exactly as volatile as the market
* β >1 more volatile than the market
* β <1>0 less volatile than the market
* β =0 uncorrelated to the market
* β <0 negatively correlated to the market

**Alpha:**Alpha is a measure of the performance of an investment as compared to a suitable benchmark index.

A positive alpha is indicative of the outperformance of the fund and negative alpha indicates the underperformance of the fund.

Alpha = Actual Rate of Return – Expected Rate of Return

**SBI Bluechip Fund:**

This product is suitable for investors who are seeking\*:

* Long term investment
* Investment in equity shares of companies whose market capitalization is at least equal to or more than the least market capitalized stock of the BSE 100 index to provide long term capital growth opportunities.

**Investment Objective:**

To provide investors with opportunities for long-term growth in capital through active management of investments in a diversified basket of equity stocks of companies whose market capitalization is at least equal to or more than the least market capitalized stock of S&P BSE 100 Index

**Fund Details:**

Fund manager(s) – Sohini Andani

Launch date – 14-Feb-2006

Expense ratio – 1.73% as declared on 31-May-2021 (category average is 2.22%)

Benchmark - S&P BSE 100 TRI

Min SIP amount - ₹500

Min investment amount (one time- first time) - ₹5000

Min investment amount (additional purchase) - ₹1000

Type: Open Ended Fund. It can invest any time in this fund.

**Risk ratios:**

**Sharp ratio: -**0.697542

**Nippon India Large Cap Fund:**

An open-ended equity growth scheme: •

* Long term capital appreciation
* Investment in equity and equity related securities, including debt, money market securities, REITs and InvITs.

**Investment Objective:**

The primary investment objective of the scheme is to seek to generate long term capital appreciation by investing predominantly into equity and equity related instruments of large cap companies. The secondary objective is to generate consistent returns by investing in debt, money market securities, REITs and InvITs.

**Fund Details:**

Fund manager(s) – Sailesh Raj Bhan

Launch date – 08-Aug-2007

Expense ratio – 1.78% as declared on 31-May-2021 (category average is 2.22%)

Benchmark - S&P BSE 100 TRI

Min SIP amount - ₹100

Min investment amount (one time- first time) - ₹100

Min investment amount (additional purchase) - ₹100

Type : Open Ended Fund. You can invest any time in this fund.

**Risk ratios:**

**Sharpe Ratio:**-0.691452

**IDFC Large Cap Fund:**

This product is suitable for investors who are seeking:

* To create wealth over the long term.
* Investment predominantly in equity and equity

related instruments of the large cap companies.

**Investment Objective:**

The portfolio invests in industry leaders from the large cap space and is open to opportunistic   
allocation (to the extent of 20%) in the mid/small cap segment, aiming to generate returns with low volatility and tapping additional alpha opportunities.

**Fund Details:**

The fund manager(s) – Arpit Kapoor, Sumit Agarwal

Launch date – 09-Jun-2006

Expense ratio – 2.48% as declared on 31-May-2021 (category average is 2.22%)

Benchmark - S&P BSE 100 TRI

Min SIP amount - ₹100

Min investment amount (one time- first time) - ₹5000

Min investment amount (additional purchase) - ₹1000

Type: Open Ended Fund. You can invest any time in this fund.

**Risk ratios:**

Sharpe Ratio: -0.797541

**L&T India Large Cap Fund:**

An open-ended equity growth scheme: •

* Long term capital appreciation
* Investment in equity and equity related securities, including equity derivatives in the Indian markets and foreign securities; with predominant investments in large cap stocks

**Investment Objective:**

To generate long-term capital appreciation from a diversified portfolio of predominantly equity and equity related securities, including equity derivatives, in the Indian markets. The Scheme will predominantly invest in large cap stocks. The Scheme could also additionally invest in Foreign Securities.

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**Chapter – 4: Findings**

Large cap funds invest the major portion of assets in those companies which have large market capitalisation. Being trustworthy, reputable and strong, the companies have solid track records and are counted in the best players in the economy to promote higher development. The companies which are ranked from 1st to 100th in terms market capitalisation are called large-cap companies and the mutual funds which invest more than 80% of their corpus in the stocks of large cap companies are called large cap mutual funds. With strong corporate governance, these companies are highly followed and well-researched and thus hold a notable position in the market to run the economy in a greater manner. Large cap mutual funds invest the money in the shares of such companies and generate wealth for the investors slowly and steadily over a long term.

Large cap funds are considered to be the safest investment plan in the long run as the funds are invested in the strong market players and have fewer chances to get devalued. The investors must have the top stocks in the portfolio to ensure a higher degree of returns on their investments and make profitable earnings to create wealth and fortune. Large-cap mutual funds provide a reasonable exposure to equities without much erosion to the value of the portfolio. Since the risks are kept at an acceptably low level, they are an ideal venture for risk-averse investors.

**Fund Details:**

Fund manager(s) – Venugopal M, Vihang Naik

Launch date – 23-Oct-2007

Expense ratio – 2.5% as declared on 31-May-2021 (category average is 2.22%)

Benchmark - S&P BSE 100 TRI

Min SIP amount - ₹500

Min investment amount (one time- first time) - ₹5000

Min investment amount (additional purchase) - ₹1000

Type: Open Ended Fund. You can invest any time in this fund.

**Risk ratios:**

Sharpe Ratio:-0.762900

**DSP Top 100 Equity Fund:**

An open-ended equity growth scheme: •

• Long term capital appreciation

**Investment Objective:**

The primary investment objective is to seek to generate long term capital appreciation from a portfolio that is substantially constituted of equity and equity related securities of large cap companies. From time to time, the fund manager will also seek participation in other equity and equity related securities to achieve optimal portfolio construction.

**Fund Details:**

Fund manager(s) – Resham Jain , Vinit Sambre , and Jay Kothari

Launch date – 10-Mar-2003

Expense ratio – 2.11% as declared on 31-May-2021 (category average is 2.22%)

Benchmark - S&P BSE 100 TRI

Min SIP amount - ₹500

Min investment amount (one time- first time) - ₹500

Min investment amount (additional purchase) - ₹500

Type : Open Ended Fund. You can invest any time in this fund.

**Risk ratios:**

Sharpe Ratio: -0.862288

**\*\*\*\*\***

**Chapter – 5: Suggestions and Conclusions**

**Suggestions and Conclusion:**

* Based on the three year time the MF with best risk adjusted rate is in order

1. Nippon India Large Cap Fund
2. SBI Blue-chip Fund
3. L&T India Large Cap Fund
4. IDFC Large Cap Fund
5. DSP Top 100 Equity Fund

Large cap mutual funds offered an average return of around 30% in 2021. To be precise, the large cap category has offered around 26% in the year till date. According to Value Research, a mutual fund tracking firm, large cap schemes offered returns in the range of 18-46% in the last one year.

However, large cap mutual fund investors (read investors in actively managed schemes) were not satisfied with the performance of these schemes in 2021. These investors have been complaining about the performance of these schemes in the last three years when compared to mid and small caps.. However, when we look at the YTD (October 2021) performance of key equity indices such as Sensex, Nifty, Nifty 100 and BSE 100, it is clear that large cap funds have not performed poorly this year. If we compare the returns of large caps with those of mid and small caps, it is like comparing apples and oranges. The performance of large cap schemes should be assessed only against their benchmark indices.

Market regulator Sebi's guidelines for large cap mutual funds has made it difficult to generate alpha. Large cap funds have to mandatorily hold a minimum 80% of their assets in the top 100 companies by market capitalization in its portfolio. Before these norms, funds could have their own definitions. The standardization of norms has brought uniformity to the investment process across fund houses. Many investors remain disappointed because they compare the performance of their scheme with mid and small cap schemes. Large cap schemes have lower risk because they are mandated to invest in top 100 companies by market capitalization. They also offer modest returns. Mid and small cap schemes have higher returns and they offer higher returns. In investing, the higher returns often come with higher returns

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