



ASSESSMENT OF MUTUAL FUNDS - A CASE STUDY OF RELIANCE MUTUAL FUNDS, VIJAYAWADA

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Abstract:

Mutual funds are playing a vital role in the present scenario. It is one of the source avenues for small investors. The present study is an attempt to assess the performance of Reliance Mutual Funds. The data has been collected from Vijayawada branch, of Andhra Pradesh. The collected information has been analyzed by using appropriate tools.

Key Words: Assessment, Mutual Funds, Reliance Mutual Funds & Vijayawada

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 appreciation realized is 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.

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.

Definition:

Mutual funds are collective savings and investment vehicles where savings of small (or sometimes big) investors are pooled together to invest for their mutual benefit and returns distribute proportionately. —A mutual fund is an investment that pools your money with the money of an unlimited number of other investors. In return, you and the other investors each own shares of the fund. The fund's assets are invested according to an investment objective into the fund's portfolio of investments. Aggressive growth funds seek long-term capital growth by investing primarily in stocks of fast-growing smaller companies or market segments. Aggressive growth funds are also called capital appreciation funds.

Objectives of the Study:

- ✓ To show the wide range of investment options available in Mutual Funds by explaining its various schemes.
- ✓ To help an investor make a right choice of investment, while considering the inherent risk factors.
- ✓ To study the different kinds of schemes provided by each mutual fund.
- ✓ To rank the funds according to their performance in terms or return
- ✓ To understand the mutual fund frame work.

Limitations of the Study:

- ✓ The study is limited by the detailed study of various schemes.
- ✓ The study is based on historical data and thus indicates the past performance which may not always be an indicator of future performance

- ✓ This analysis is made on the basis of secondary data.
- ✓ The study is conducted in short period, due to which the study may not be detailed in all aspects

Data Interpretation & Analysis:

Table 1: Comparison Between HDFC Bank index of NSE and Reliance banking Fund for Year 2011

Date	NAV(R.S)	%change in Bank index	NAV(R.s)	%change in RIL Bank Fund
Dec-10	11,791.45	0.00	117.14	0
3 Jan, 2011	10,641.85	-9.75	108.18	8.18
1 Feb, 2011	10,435.35	-1.94	98.55	-1.45
1 Mar, 2011	11,705.45	12.17	101.6	1.6
1 Apr, 2011	11,483.75	-1.89	108.18	8.18
2 May, 2011	10,781.45	-6.12	104.6	4.6
1 Jun, 2011	11,244.65	4.30	101.6	1.6
1 Jul, 2011	10,893.65	-3.12	102.85	2.85
1 Aug, 2011	9,533.40	-12.49	101.04	1.04
1 Sep, 2011	9,468.30	-0.68	89.15	-10.85
3 Oct, 2011	9,989.65	5.51	86.02	-13.98
1 Nov, 2011	8,564.10	-14.27	91.24	-8.76
1 Dec, 2011	7,968.65	-6.95	83.41	-16.59
Annual Growth	-3,822.80	-32.42	-33.73	-28.79
MEAN	-318.567	-2.70	-2.81	-2.40
Standard deviation	1,190.56	7.41	8.48	8.13
Source:www.nseindia.com			Source:www.amfiindia.com	

Percentage Change:

$$\text{Percentage Change} = (\text{Current price} - \text{Previous Price}) / (\text{Previous Price})$$

Annual Return:

$$\text{Annual Return} = \text{Annual Return} = (\text{Simple Return} + 1)^{(1 / \text{Years Held})} - 1$$

Interpretation:

From the above table and chart, it is observed that the Growth percentage in HDFC Bank index is high in the month of March with 12.17% and NAV of Reliance bank fund is high in month of January and April with percentage change of 8.18. The percentage change is negative in the month of November with -14.27% while that of Reliance Bank Fund is in month of December with percentage change of -16.59%. Reliance Bank fund value is above the growth in HDFC bank index, while the risk (SD) is 8.13% for Reliance Bank fund when compared to HDFC bank index. i.e. 7.4

Table 2: Comparison Between ICICI Bank index of NSE and Reliance banking Fund for year 2012

NAV (Rs)	%change in Bank	NAV (Rs)	%change in RIL Bank	NAV (Rs)
Date	index	index	Fund	Fund
1 Dec, 2011	7,968.65	0.00	83.41	0.00
3 Jan, 2012	9,919.45	24.48	77.6	-6.97
1 Feb, 2012	10,414.20	4.99	92.62	-7.38
1 Mar, 2012	10,212.75	-1.93	96.02	-3.98
2 Apr, 2012	10,276.80	0.63	95.09	-4.91
1 May, 2012	9,441.00	-8.13	93.95	-6.05
1 Jun, 2012	10,340.65	9.53	87.1	-12.90
2 Jul, 2012	10,384.10	0.42	96.58	-3.42
1 Aug, 2012	9,990.50	-3.79	96.38	-3.62
3 Sep, 2012	11,456.80	14.68	91.91	-8.09

1	Oct, 2012	11,268.80	-1.64	106.52	6.52
1	Nov, 2012	12,158.90	7.90	108.22	8.22
3	Dec, 2012	12,474.25	2.59	114.59	14.59
Annual Growth		4505.60	56.54	31.18	37.38
Mean		375.47	4.71	2.60	3.12
Standard deviation		934.06	8.65	9.79	7.63
Source:www.nseindia.com			Source:www.amfiindia.com		

Mean:

$$\text{Mean} = (\text{Sum of percentage Change Items}) / \text{Number of Items}$$

Standard Deviation:

$$\text{Variance } (\sigma) = \sqrt{[\sum(x-\text{mean})^2 / (N - 1)]}$$

Interpretation:

From the above table and chart, it is observed that the Growth percentage in ICICI Bank index is high in the month of January with 24.48% and NAV of Reliance bank fund is high in month of December with percentage change of 14.59. The percentage change is negative in the month of May with -8.13% while that of Reliance Bank Fund is in month of June with percentage change of -12.90%. Reliance Bank fund value is below the growth in ICICI bank index, while the risk (SD) is 7.63% for Reliance Bank fund when compared to ICICI bank index. i.e. 8.65

Table 3: Comparison Between SBI Bank index of NSE and Reliance banking Fund for year 2013

Date	NAV(R.S)	%change in Bank index	NAV(R.s)	%change in RIL Bank Fund	
3 Dec, 2012	12474.25	0.00	114.59	0.00	
2 Jan, 2013	12708.60	1.88	123.00	7.34	
1 Feb, 2013	11487.35	-9.61	120.92	-1.69	
1 Mar, 2013	11361.85	-1.09	109.45	-9.49	
1 Apr, 2013	12561.55	10.56	106.34	-2.84	
1 May, 2013	12475.65	-0.68	114.09	7.29	
3 Jun, 2013	11617.25	-6.88	114.00	-0.08	
1 Jul, 2013	10015.75	-13.79	108.86	-4.51	
1 Aug, 2013	9049.20	-9.65	90.03	-17.30	
2 Sep, 2013	9617.80	6.28	78.52	-12.78	
1 Oct, 2013	11473.15	19.29	92.15	17.36	
1 Nov, 2013	11153.95	-2.78	105.74	14.75	
2 Dec, 2013	11385.25	2.07	103.58	-2.04	
Annual Growth		-1089.00	-8.73	-11.01	-9.61
Mean		-90.75	-0.73	-0.92	-0.80
Standard Deviation		1154.48	8.95	13.03	10.05
Source:www.nseindia.com			Source:www.amfiindia.com		

Mean = (Sum of percentage Change Items)/Number of Items

Standard Deviation:

$$\text{Variance } (\sigma) = \sqrt{[\sum(x-\text{mean})^2 / (N - 1)]}$$

Interpretation:

From the above table and chart, it is observed that the Growth percentage in SBI Bank index is high in the month of October with 19.29% and NAV of Reliance bank fund is maximum in month of October with percentage change of 17.36. The percentage change is negative in the month of July with -13.79% while that of Reliance Bank Fund is in month of August with percentage change of -17.30%. Reliance Bank fund value is above the growth in SBI bank index, while the risk (SD) is 10.05% for Reliance Bank fund when compared to bank index. i.e. 8.95

Table 4: Comparison Between ING VYSYA Bank index of NSE and Reliance banking Fund for year 2014

	Date	NAV (RS)	%change in Bank index	NAV(R.s)	%change in RIL Bank Fund
2	Dec, 2013	11,385.25	0.00	103.58	0.00
2	Jan, 2014	10,237.75	-10.08	105.92	2.26
3	Feb, 2014	10,764.70	5.15	95.62	-9.72
3	Mar, 2014	12,742.05	18.37	99.52	4.08
1	Apr, 2014	12,855.85	0.89	116.82	17.38
2	May, 2014	14,793.40	15.07	121.85	4.31
2	Jun, 2014	15,241.90	3.03	148.02	21.48
1	Jul, 2014	15,267.60	0.17	149.85	1.24
1	Aug, 2014	15,740.40	3.10	148.16	-1.13
1	Sep, 2014	15,982.50	1.54	153.50	3.60
1	Oct, 2014	17,045.05	6.65	150.70	-1.82
3	Nov, 2014	17,453.00	2.39	165.72	9.97
	Annual Growth	6,067.75	53.29	62.14	-318.10
	Mean	505.6458	4.84	5.18	-26.51
	Standard Deviation	2406.25	7.30	24.85	8.50

Source:www.nseindia.com Source:www.amfiindia.com

Mean = (Sum of percentage Change Items)/Number of Items

Standard Deviation:

$$\text{Variance } (\sigma) = \sqrt{[\sum(x-\text{mean})^2 / (N - 1)]}$$

Interpretation:

From the above table and chart, it is observed that the Growth percentage in ing vysya Bank index is high in the month of March with 18.37% and NAV of Reliance bank fund is high in month of June with percentage change of 21.48. The percentage change is negative in the month of February with -10.08% while that of Reliance Bank Fund is in month of October with percentage change of -1.82%. Reliance Bank fund value is less than the growth in ing vysya bank index, while the risk (SD) is 8.50% for Reliance Bank fund when compared to ing vysya bank index. i.e. 7.30

Table 5: Comparison Between IDBI Bank index of NSE and Reliance banking Fund for year 2015

	Date	NAV(R.S)	%change in Bank index	NAV(R.s)	%change in RIL Bank Fund
	Dec-14	18,736.65	0.00	177.53	0.00
	01-Jan-15	18,750.45	0.07	177.56	0.01
	02-Feb-15	19,865.90	5.95	192.29	8.30
	02-Mar-15	20,008.10	0.72	192.54	0.13
	01-Apr-15	18,617.85	-6.95	179.45	-6.80
	04-May-15	18,501.30	-0.63	178.29	-0.65
	01-Jun-15	18,617.00	0.63	179.97	0.94
	01-Jul-15	18,581.60	-0.19	180.28	0.17
	03-Aug-15	18,914.70	1.79	185.54	2.92
	01-Sep-15	16,530.30	-12.61	163.19	-12.05
	01-Oct-15	17,150.20	3.75	170.84	4.69
	02-Nov-15	17,340.60	1.11	171.72	0.51
	01-Dec-15	17,398.55	0.33	171.63	-0.05
	Annual Growth	-1,338.10	17298.55	-5.90	71.63
	Mean	-111.51	-1.45	-0.49	5.96
	Standard deviation	1,062.61	5.78	8.68	4.86

Annual Return:

$$\text{Annual Return} = \text{Annual Return} = (\text{Simple Return} + 1) ^ (1 / \text{Years Held}) - 1$$

Standard Deviation:

$$\text{Variance } (\sigma) = \sqrt{[\sum(x-\text{mean})^2 / (N - 1)]} \quad 72$$

Interpretation:

From the above table and chart, it is observed that the Growth percentage in IDBI Bank index is high in the month of Feb with 5.95% and NAV of Reliance bank fund is high in month of Feb with percentage change of 8.30. The percentage change is negative in the month of September with -12.61% while that of Reliance Bank Fund is in month of December with percentage change of -0.05%. Reliance Bank fund value is less than the growth in IDBI bank index, while the risk (SD) is 5.78 % for Reliance Bank fund when compared to IDBI bank index. i.e. 4.86.

Findings:

- ✓ It is found that in the year 2010 the Reliance banking sector fund had shown more growth rate than bank index while the risk is a little high. Except during few months the fund performance was good.
- ✓ In the year 2011, the decreasing value trend is followed by Bank index and same by Reliance banking fund. But in month of March performance is good, comparing to the fewer months.
- ✓ The year 2012, the Reliance banking fund decreased drastically its asset value. The growth is very limited during the year.
- ✓ In the year 2013, the Reliance bank Fund incurred same results as of previous year growth is negative for both in bank index and Reliance bank fund. The risk is also high compared to Bank index.
- ✓ In the year 2014, even though the risk is high the return is low.

Suggestions:

- ✓ In the year 2010, the risk is less with moderate return therefore, positive market conditions prevailed and profitability conditions for majority of investors incurred.
- ✓ In the year 2011, the investors may not be ready to invest due to variation between risk and return.
- ✓ Reliance bank fund does not shown any better meant even for the year 2012, the risk in investing into UTI bank fund was high and return was less compared to bank index return.
- ✓ In the year 2013, for a few months Reliance bank fund performed well a downward trend is seen.
- ✓ The present year 2014, may be profitable for investors willing to invest in Reliance Bank fund due to bullish market conditions.

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