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# PERFORMANCE OF SECTORAL FUNDS – INDIA INFOLINE

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## ABSTRACT

Sectoral funds are mutual funds that specialize in specific economic sectors or industries. For investors interested in sector-specific investment, this abstract provides an overview of sectoral fund performance, importance, and key aspects. Sectoral funds enable investors to concentrate their assets in industries or sectors that they believe will outperform the general market. Mutual funds have emerged as a strong financial intermediary and are the fastest growing segment of the financial services sector in India. Mutual funds play a very significant role in channelizing the savings of millions of individuals. In this context an attempt has been made by the researcher to examine the growth, risk-return pattern of the mutual fund industry with regard to sector mutual funds. It is suitable for Investors who have advanced knowledge of macro trends and prefer to take selective bets for higher returns compared to other Equity funds. At the same time, these investors should also be ready for possibility of moderate to high losses in their investments even though overall market is performing better. These funds seek to capitalize on the development potential, trends, and opportunities of specific industries. This abstract examines the performance of sectoral funds, as well as their prospective benefits and drawbacks. It highlights how economic factors, industry dynamics, regulatory changes, and market opinion toward specific industries can all effect sectoral fund performance.

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**NEW WORDS:** Sectoral Funds, Mutual Funds, Risk, Return, Fund Performance.

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## 1. INTRODUCTION

### 1.1 Sectoral Fund

A sectoral fund is a type of mutual fund that invests in the same industry as its shareholders. These funds give investors exposure to specific markets by investing exclusively in companies operating within the same industry. The latest recategorization by SEBI shifted the criteria for

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determining whether a firm has a large, small, or mid-market capitalization. The 100 largest corporations by market capitalization are known as large caps.

Morningstar's multiple style box categories, which consist of many different asset classes, can also be used to diversify a portfolio. However, another common method of diversification is to switch from one economic sector to another. Mutual funds that specialize on a particular industry, such as utilities or natural resources, are commonly used for this purpose. What are sector funds, how are they constructed, and what are the benefits and drawbacks for investors?

The advantages of sectoral ETFs vary depending on the performance of the sectors they track. Kotak Mutual Fund, which expects to introduce metals and certain market cap-based ETFs in the coming months, claims that this allows investors a low-cost alternative to put their money in sectors in which they have faith. According to Ms. Iyer, investors may easily trade on the market and find out the value of their fund investments in what amounts to real-time with the help of sectoral ETFs. A sectoral fund is a type of mutual fund that invests in the same industry as its shareholders. These funds give investors exposure to specific markets by investing exclusively in companies operating within the same industry.

## 1.2 Mutual Funds

A mutual fund is considered to be a pool of funds that are managed by a professional Fund Manager. It can be referred to as a trust which

collects money from different investors who have a common objective of investment, and the amount could be invested in bonds, equities, money market instruments, and various other forms of securities. The income which is generated from the amount invested in a portfolio that is managed by the fund managers gets proportionately distributed after the deduction of levies and expenses which are applicable in the particular mutual fund scheme. NAV or Net Asset Value is calculated based on the market value of the amount which is invested in a particular fund.

Mutual funds are being considered by investors as an ideal investment for those people who are not having huge sums of money and wish to invest in a portfolio of stocks wherein the share price is quite high. Many times, the investors have a smaller amount to be invested in a lump sum or monthly; the amount could range between Rs. 500 to Rs. 5000 or much more. There are many mutual funds that allow investors to invest even small sums of money, and the amount could be invested in the long term or short term. The investors may or may not be aware of the ways investors could be in the stock market, and there are different investment options that are

available in the market based on different risks and return. Asset Management Companies (AMCs) charge a small amount of fee, which is deducted from the amount which is being invested by the investors. The fee which is charged by AMCs is regulated by the Securities and Exchange Board of India (SEBI).

### 1.3 Scope of Study

The scope for this study was analyzed for a period of 53 days starting from December 1<sup>st</sup> 2022 to 22<sup>nd</sup> January 2023. The focus of the study is to the performance of the different selected mutual funds under India Infoline. Since different companies come out with different schemes, it becomes very difficult to choose the best fund for investment. Hence, this comparison could help in better analysis of the fund for investment. The analysis has been done based on the funds' performance and has been found why certain stock outperforms best. There is only Growth scheme analysis in the report, and it's provided by all four AMCs. The problem investigates the reasons for the varying risks and returns across the various schemes by calculating them using a variety of metrics. The potential for loss and gain in a portfolio can be seen graphically.

## 2. REVIEW OF LITERATURE

**Mani & Singh Ahirwar, (2021)** in the paper —An Empirical Study on Factors Influencing the Mutual Fund Scheme Selection by Retail Investors have expressed that mutual fund is a retail product designed to target small investors, salaried people and others who are

not intimidated by the mysteries of stock market but, nevertheless, like to reap the benefits of stock market investing. At the retail level, investors are unique and are a highly heterogeneous group. Hence, their fund/scheme selection also widely differs

**Mishra & Singh, (2018)** study brought out those equities had a good chance of appreciation in future. The researcher was of the view that, investors should correctly judge their investment objective and risk appetite before picking schemes, diversified equity funds were typically safer than others and index funds were the best when market movements were not certain. The researcher suggested Systematic Withdrawal Plan (SWP) with growth option was more suitable for investors in need of regular cash inflows. Jensen

**Rohatgi\* et al., (2020)** examined the market risk and investment performance of equity mutual funds in India. The study used a sample of 36 equity fund for a period of 3 years. The study examined whether high beta of funds have actually produced high returns over the study period.

The study also examined that open-ended or close ended categories, size of fund and the ownership pattern significantly affect risk-adjusted investment performance of equity fund. The results of the study confirmed with the empirical evidence produced by fama (1992) that high beta funds (market risks) may not necessarily produced high returns

**Dr Surender Kumar Gupta and Dr. Sandeep Bansal (Jul 2019)**, 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).

### 3. OBJECTIVES

- To analyze net asset value (NAV) of the Four selected AMC's in correlation with the Market level.
- To analyse the Risk and Return of the four selected Funds.
- To compare the returns generated by the selected funds in the stipulated time.
- To evaluate the level of risk in investing in selected Funds for the research.
- To Research the various types of mutual funds, such as those that emphasize growth and diversification.
- To evaluate the best fund for investing depending on the

expense ratio issued by the fund's organization.

- To Use methods such as Sharpe's ratio and Treynor's ratio to identify the risk and returns.

### 4. NEED OF STUDY

Mutual funds invest the combined capital of many people in financial assets like stocks, bonds, and money market accounts. The research aims to examine the performance of mutual funds across a variety of sectors in order to identify emerging market trends in areas like Brazil, pharmaceuticals, information technology, banking, fast-moving consumer goods, and services. The project's overarching objective is to demonstrate that Mutual Funds represent the optimal investment vehicle for achieving both intermediate- and long-term objectives. Mutual funds are dynamic financial organizations that pool clients' assets for investment in the stock market. These investors are generally confused to pick the best scheme out hence this study will provide

some insight into the performance of mutual fund which will help them in taking rational investment decisions and allocating their resources in the right mutual fund scheme.

## 5. RESEARCH METHODOLOGY

**Meaning of research:** Research methodology and techniques define the research process. One way to methodically investigate a topic is by employing a certain research technique. This method incorporates everything from the research process to the research design to the sampling design to the collection of data to the analysis of data to the interpretation of data to the presentation of data.

**Research Process:** The research methodology describes the process by which all pertinent research is conducted. There is a need to investigate issues, examine data, and write reports by contrasting the effects of several mutual fund schemes with those of IIFL's mutual funds.

**Research design:** In order to conduct research, one must first develop a research problem and a strategy for conducting that research. The Financial Statements were culled from the respective mutual fund websites of India Infoline Ltd. A questionnaire was sent to the Hyderabad branch of India Infoline Ltd Mutual Fund to collect the data.

**Data collection:** The purpose of this research can be achieved by analyzing the effects of India Infoline Ltd Mutual Fund Schemes.

**Primary data:** The information used in the study is primary data, which was collected through a questionnaire administered to

employees of India Infoline Ltd.

**Secondary data:** India Infoline Ltd. publications, textbooks for security analysis (sem-4), and websites are all good places to look for secondary material.

**Tools for data analysis:** The following methods are used to examine information (or data) collected from Branch Managers and various financial accounts:

- Percentages
- Averages
- Range
- Graphs
- Bar Chart



## 6. DATA ANALYSIS

**[TABLE-1]: Analysis for returns of the Four selected funds for the period of 1<sup>st</sup> December 2022 to 20<sup>th</sup> January 2023**

<b>DATE</b>	<b>Axis Banking Debt Fund - Growth</b>	<b>IDBI Gold Fund - Growth</b>	<b>HSBC Brazil Fund- Growth</b>	<b>HDFC Gold Fund- Growth</b>
20/01/2023	-	-	-	-
19/01/2023	-0.33	0.02	-0.01	0.06
18/01/2023	-0.32	-0.04	0.14	0.05
17/01/2023	-0.1	-0.08	0.03	-0.06
16/01/2023	-0.3	0.02	0.06	-0.03
13/01/2023	-0.77	-0.1	0.06	-0.15
12/01/2023	-0.12	0.03	-0.04	0.05
11/01/2023	-0.23	-0.08	0.01	-0.12
10/01/2023	-0.3	0.09	0.05	0.1
09/01/2023	-0.22	0.05	0.06	0.03
06/01/2023	-0.73	-0.06	0.07	0.01
05/01/2023	-0.34	0.02	0.02	0.01
04/01/2023	-0.27	-0.1	0.01	0.03
03/01/2023	-0.32	-0.06	0.1	-0.17
02/01/2023	-0.32	-0.04	0.16	-0.07
30/12/2022	-0.86	-0.1	-0.05	-0.04
29/12/2022	-0.35	0.02	-0.12	-0.02
28/12/2022	-0.4	0.05	0	0.05
27/12/2022	-0.36	-0.01	0.22	-0.03
26/12/2022	-0.29	0.01	0.13	0.04
23/12/2022	-1.4	0	-0.13	-0.1
22/12/2022	-0.2	0.05	0.1	0.06
21/12/2022	-0.29	-0.04	0.04	0.07
20/12/2022	-0.78	-0.09	0.01	-0.06

19/12/2022	-0.38	0.09	0.15	-0.09
16/12/2022	-0.35	0.02	0.14	0.04
15/12/2022	-0.29	0.04	-0.24	0.02
14/12/2022	-0.17	-0.01	0.13	-0.01
13/12/2022	-0.51	-0.03	-0.01	0.01
12/12/2022	0.12	0.04	0.09	0.01
09/12/2022	-0.2	0.04	-0.26	0.04
08/12/2022	-0.08	-0.04	0.01	0.04
07/12/2022	-0.07	0.05	-0.93	-0.04
06/12/2022	-0.63	-0.11	-0.01	0.06
05/12/2022	-0.22	-0.09	0.14	-0.08
02/12/2022	-0.39	0.09	0.03	-0.08
01/12/2022	-0.32	0.01	0.06	0.07
<b>Average</b>	<b>0.36</b>	<b>-0.07</b>	<b>0.006</b>	<b>0.008</b>

**INTERPRETATION:** After taking the Return averages of the four selected Funds between the period of 1<sup>st</sup> December 2022 to 20<sup>th</sup> January 2023 it was found that “Axis Banking Debt Fund-Growth” had the highest Return with 0.36 following which were “HDFC Gold Fund-Growth” with 0.008 as an average, next to it was “HSBC Brazil Fund-Growth” with 0.006 and “IDBI” with an average of -0.07.

**[Table-2]: Comparative Study of the performance of Selected AMC’s (and) Sharpe Index and Treynor’s Index Calculation**

Comparative Study of Performance Of the Selected AMC's						
Sharpe Index and Treynor’s Index are Calculated						
For the Month of January 23						
	Return	Risk	Beta		Sharp's	Treynor
Name of the Fund	(Rm)	(std dev)	(β)	Rf	(Rm-Rf)/σ	(Rm-Rf)/β
Axis banking Debt fund-Growth	0.36	0.1	0.62	0.06	3	0.48

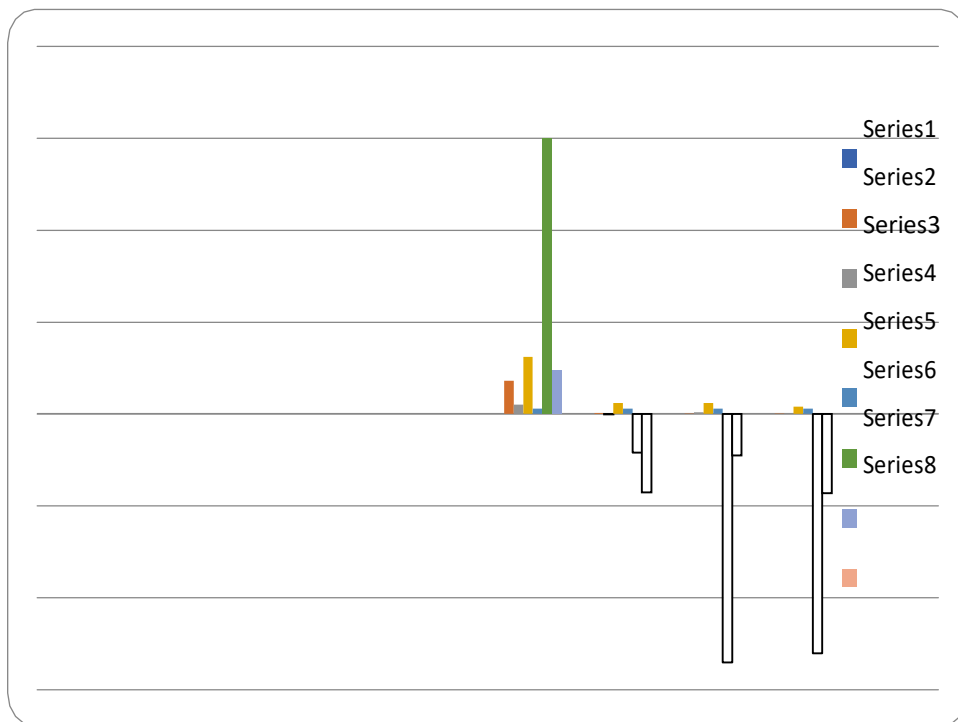


<b>IDBI GOLD FUND- GROWTH</b>	0.009	-0.004	0.12	0.06	-0.42	-0.85
<b>HSBC Brazil Fund- Growth</b>	0.006	0.02	0.12	0.06	-2.7	-0.45
<b>HDFC GOLD Fund - Growth</b>	0.008	0.002	0.08	0.06	-2.6	-0.86

**(Graph-1): The graphical representation of Sharp Index:**

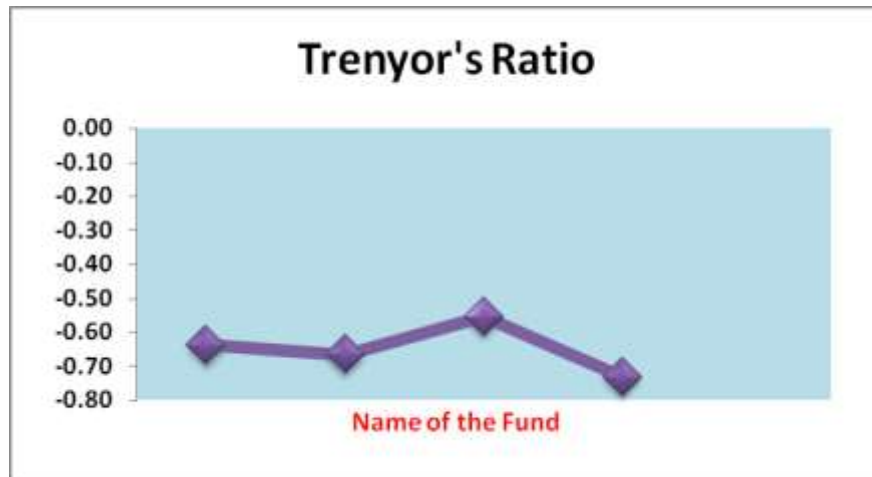
**INTERPRETATION:**

Axis Banking Debt Fund-Growth is performing exceptionally well, however it has highest sharpe ratio which makes it a highly riskier option to choose. Also along with that it also has the highest Treynor’s ratio which makes it the best performing fund. So, it depends on the investor if he is willing to take risk as seen by the table and graph. HDFC GOLD Fund-Growth comes up at number two following the same metrics.



**(Graph-6): The graphical representation of TREYNOR Index:**

when its expansion was analyzed. The Axis Banking



This is how the TREYNOR Index is represented.

**INTERPRETATION:**

- Axis Banking Debt Fund-Growth is dominating the competition, as shown in the accompanying graph and table. HDFC GOLD Fund-Growth comes up at number two.
- However, sharp and Treynor's are employed to evaluate the performance of the funds. The downward trend in market prices for the majority of the mutual funds analyzed is a worrying sign. As global economic conditions have worsened, the stock market index has followed suit.

**7. FINDINGS**

- A significant increase was seen in Axis Banking's debt fund

Debt Fund-Growth, on the other hand, has returned an average of 0.36 percentage points more than the market over the past three years, and its beta of less than one indicates that it is not highly volatile.

- It has been determined that the growth of the IDBI Gold Fund has been detrimental. Although the market as a whole has seen negative growth of 0.19, the IDBI GOLD FUND-GROWTH has only had negative growth of 0.004. The firm's beta is less than 1, indicating low volatility.
- The HSBC Brazil Fund-Growth report indicates expansion. While the index has experienced negative growth of 0.02 on average, the HSBC Brazil Fund-Growth has experienced the same. The stock is quite safe with a beta of less

than 0.12. According to the results, the HDFC GOLD Fund has a declining rate of return. While the market as a whole has grown by an average of 0.02 percent annually, the HDFC GOLD Fund - Growth has grown by a negative 0.008 percent. With a beta of less than 0.08, the stock is considered low-volatility.

- According to the data table and graph up top, the Axis Banking Debt Fund-Growth is now the best performing debt fund.
- HDFC GOLD Fund - Growth is a good alternative to the top fund.
- Although the stock market index has been progressively declining due to the worldwide economic slump, the general price decrease trend of the various mutual funds examined was not encouraging. The performance of the funds was evaluated by considering both large and small shifts in value.

## 8. CONCLUSION

According to the data, the Axis Banking Debt Fund-Growth has been found to be performing exceptionally well among all the Equity Funds. Investing in HDFC-Growth would be wise. The Axis Banking Debt Fund-Growth achieves remarkable results. People who are considering making a

purchase should be made aware of the advantages of mutual funds. Managers and investors in the industry should have coherent and transparent objectives. As foreign AMCS queue up to enter the Indian market, mutual funds have expanded by 100%. People in rural areas also have access to communal finances.

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