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A study of Performance Analysis of select Blue Chip Systematic Investment Plans in India

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***Abstract*: Mutual fund institutions play vital role in the economic development of a country. A well-established Mutual fund market is the key factor for economic growth in many developed counties. India opens the market for different investment to provide variety of financial products. Systematic investment planning was introduced in the Indian financial system with a view to provide comparatively safer investment at the doorstep of the common investors. Most of people wants to invest in Mutual funds through SIP. But there is large variety of schemes available in market. At this situation investor prefers mostly Bluechip funds as it is less risker than other funds. So, in this manuscript main focus is on the analysis of performance of blue-chip funds so it will help to investors to take decision about which scheme supposed to choose. So, for the study purpose 5 blue-chip funds has been selected. For investor there is no need to pay attention towards the past performance of the mutual fund because this past performance does not decide the future mutual fund performance. So for this purpose the Secondary data has been considered for the performance analysis and it was achieved by using various tools and techniques like average return, standard deviation, beta, Sharpe ratio, Jensen ratio and Treynor ratio.**

***Keywords*: Mutual fund, Funds, India, Systematic Investment Plan (SIP), Performance, Blue-chip fund.**

1. Introduction

Systematic Investment Plans an approach to investing within managed investments which involves investing a set of amounts at regular intervals rather than investing a larger lumpsum amount in one shot. By investing this way, you are not attempting to capture the highs and lows of the market but rather the cost of your investment is averaged over a period of time. The essence of SIPs is that when the markets fall investors automatically acquire more units. Likewise, they acquire lesser units when the market rises. This means that you buy less when the price is high whereas you buy more when the price is low. Hence the average cost per unit drops down over a period of time.

A. Rupee-Cost averaging

With volatile markets, most investors remain skeptical about the best time to invest and try to 'time' their entry into the market. Rupee-cost averaging allows you to opt out of the guessing game. Since you are a regular investor, your money fetches more units when the price is low and lesser when the price is high. During volatile period, it may allow you to achieve a lower average cost per unit.

B. Power of Compounding

Albert Einstein once said, "Compound interest is the eighth wonder of the world. He, who understands it, earns it... he who doesn't... pays it." The rule for compounding is simple - the sooner you start investing; the more time your money has to grow.

Mutual funds are investment tools that help investors to pool their money to purchase securities which are professionally managed by a portfolio manager. The manager diversifies these investments into various securities like treasuries, stock, bonds currency etc. these investments are allocated on the basis of investor’s appetite for risk and return. The main dilemma faced by an investor is to choose between a Systematic Investment Plan (SIP) or lump-sum schemes

2. Objectives of the Study

Following are the objectives of the study,

1. To identify risk and returns involved in Blue chip SIP fund.
2. To evaluate the performance of Blue chip fund in terms of, Return, Risk, Standard deviation, Beta, Sharpe ratio, Treynor ratio and Jensen’s ratio.
3. To understand behavior of NAV of various schemes prior and during outbreak of Covid-19 pandemic in India.
4. To suggest strategies to improve the performance of SIP Schemes.

A. Need of the Study

In India, Mutual Fund is a rapidly growing sector for Indian economy and financial market. Mutual fund investment is quite popular among small and household investors, who mobilize their savings for investment in the capital market. India has a majority of middle-class families who want to yield the maximum returns on their investment by taking the less risk. This study will be guiding tool for those who are keen to check the performance of selected Bluechip SIP fund schemes in India.as Blue chip companies are typically large businesses, with substantial market share & leadership in their respective industries. They historically have shown successful growth, high visibility and reach, good credit ratings and greater brand equity amongst the public. Investing in such companies brings relative consistency to a portfolio. The fund is suitable for investors who want exposure to blue-chip Indian companies from a medium to long-term perspective.

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3. Literature Review

Various researches have been conducted in the field of performance management system. Few are discussed in the present study.

According to Garg (2011) examined the performance of top ten mutual funds that were selected on the basis of previous years return. The study analyzed the performance on the basis of return, standard deviation, beta as well as Treynor, Jensen and Sharpe indexes. The study also used Carhart's four-factor model for analyzing the performance of mutual funds. The results revealed that Reliance Regular Saving Scheme Fund (RRSSF) had achieved the highest final score and Canara Robeco Infra fund had achieved the lowest final score in the one-year category.

CMA Panigrahi et. al (2020) studied an analysis of ten equities linked saving scheme mutual funds. Using financial ratios and tools for analysis including the average return, coefficient of determination (R2), S.D, Beta, Sharpe ratio, Jensen alpha. They found a more attractive return in ELSS mutual funds and also takes a tax benefit of 1.5 lakh.

S Tripathi, DRGP Japee (2020) researched fifteen equity mutual funds of different categories based on the market capitalization of companies. Used different financial ratios for the evaluation of funds. They found the majority of equity mutual funds are performing well, but when a sharp fall in NIFTY 50 in 2019 is affecting the return of the mutual fund.

Kalyan, Nalla. (2017), This paper is based on the study on investment in Mutual funds of Blue-chip stocks as part of a conservative investment strategy. The paper highlighted the ways to identify risk and returns involved in the blue-chip fund. The study was done on State Bank of India Mutual Fund (SBI MF) which is one of the largest mutual funds in the country with an investor base of over 5.4 million. With over 20 years of rich experience in fund management, State Bank of India Mutual Fund brings forward its expertise in consistently delivering value to its investors. The target of this paper is to evaluate the performance of State Bank of India blue chip fund comparing with a benchmark for the period of 2014-2016.

S. M. Alagappan, in this paper 12 open ended mutual funds were selected and analyzed for a period of one year (1-1-2018 to 31-12-2018) producing a risk-return relationship and helping investors to choose the best mutual fund. Standard deviation and beta are calculated quarterly and funds are ranked using Sharpe, Treynor and Jensen's index. Axis blue chip fund was ranked top in all the three indices. The study concluded that an equity open end mutual fund does not give an impressive performance throughout the year. However, annual returns may be considered for the better understanding of fund performance rather than quarterly.

4. Research Methodology used in the Present Study

A. Source of Data

This study mainly depended on secondary data. The secondary data about five mutual funds SIP schemes under the category of Bluechip fund from Five fund houses is selected. Evaluation of the performance of sampled SIP fund schemes with the help of Net Asset Value (NAV). The needed monthly NAV for sampled mutual funds was taken from the mutual funds websites called Association of Mutual Funds in India (AMFI) and through in.finance.yahoo website. The other related information was collected from books, journals, magazines and various websites.

B. Research design

The type of the study is longitudinal descriptive research

C. Sample selection

SIP schemes which are in operation for more than a period of three years and performing during the period of study (2018-2020) were selected for the present study. The mutual fund category selected for the study is Bluechip SIP schemes. Secondary data were used for the present study. The secondary data were collected from the various research publications, books, journals, magazines and bulletin etc.

D. Time period

The time frame for this research study is from January, 2018 to December 2020. The NAV and return of the selected Bluechip scheme have been compared for three years with an annual return.

E. Test Used

The tools used to compare the fund performance with benchmark are Mean, Standard deviation and Beta.

Standard Deviation: The following formula is used for calculating the standard deviation of Returns on assets or securities using historical returns:

$$s = \sqrt{\frac{\sum (x_i - \bar{x})^2}{n-1}}$$

Calculation of Beta: A measure of risk commonly advocated is beta. The beta of a portfolio is computed the way the beta of an individual security is computed, to calculate the beta of a portfolio, regress the rate or return of the portfolio on the rate of return of a market index. The slope of this regression line is the portfolio beta. Remember that reflects the systematic risk of the portfolio.

$$Beta(\beta) = \frac{n\,\Sigma\,XY - (\Sigma\,X * \Sigma\,Y)}{n\,\Sigma\,X^2 - (\Sigma\,X)^2}$$

Correlation: Pearson r correlation is the most widely used correlation statistic to measure the degree of the relationship between linearly related variables.

Table 1
Data Analysis of Bluechip Funds (annualized returns)

S. No.	SIP Fund	Returns-2020 (%)	Returns-2019 (%)	Returns-2018 (%)	Standard deviation	B Beta	Sharpe	Treynor	Jensen
1	Canara Robeco Bluechip Equity Fund.	24.38	17.35	5.26	19.39	0.89	0.63	0.17	4.7
2	Axis Bluechip Fund.	21.06	20.47	8.98	18.34	0.81	0.61	0.14	2.59
3	SBI Blue Chip Fund - Direct Plan - Growth	16.81	12,67	-2.58	21.12	0.96	0.36	0.08	-0.53
4	Franklin India Bluechip Fund - Direct - Growth	14.48	6.26	-2.14	21.53	0.93	0.37	0.09	-0.59
5	ICICI Prudential Bluechip Fund - Direct Plan - Growth	13.71	10.83	0.78	20.58	0.93	0.39	0.09	-0.47

Sharpe Ratio: It is the INDEX of Excess Return for Risk taken. Standard Deviation is a measure of Risk. Hence, the index indicates the excess return over the Risk-free rate for 1 unit of Risk taken. Selection of the fund is generally based on higher Index.

Treynor model: Beta value is taken as an index of market variations. Which means ranking was done based on the systematic risk.

5. Data Analysis and Interpretation

A. Analysis and Interpretation

From the above calculations it is clear that Canara Robeco Bluechip Equity Fund is having greater Sharpe's ratio of 0.63 followed by Axis, ICICI Prudential, Franklin India and SBI's funds. Higher the Sharpe ratio means higher the return with risk adjusting Hence under the large-cap funds considering Sharpe ratio, SBI's scheme has reached the highest Sharpe ratio of 0.63, so it is considered as excellent in its performance and to invest expecting higher return then followed by Axis, ICICI Prudential, Franklin India and SBI's funds is least performer for three years in the selected schemes.

From the above data summary, it is understandable that the Canara Robeco Bluechip Equity Fund is having the higher Treynor's ratio of 0.17 for 3 years followed by Axis, ICICI Prudential, Franklin India and SBI's funds. Hence it is clear that the Canara Robeco Bluechip Equity Fund is performing better per unit of risk (beta) for 3 years followed by ICICI, Franklin and so on. So under the blue-chip funds or large-cap funds considering Treynor ratio, Canara Robeco Bluechip Equity Fund is fetching more returns and the SBI's fund is generating less returns when compared with in the selected schemes with beta as risk factor.

From the above calculations and rankings, it can be analyzed that the Canara Robeco Blue-chip Equity Fund is having higher Jensen ratios of 4.7 for 3 years respectfully followed by Axis, ICICI Prudential, SBI's funds and Franklin India for 3 years. Hence it is clear that under the blue-chip fund category considering Jensen ratio some the schemes are showing positive values, which means all are generating more than the predicted return, in spite of that Canara Robeco Bluechip Equity Fund and Axis Fund is generating more than the predicted level of return in case of 3 years as positive Jensen ratio means fund is performing outperform. On the other side the least performer is ICICI Prudential, SBI's funds and Franklin India, in case of 3 years which is negative value means this fund is underperformed.

It is observed that if fund house prefers diversify investment in different sectors, then it reduces risk and also it increases returns. So, most of the fund houses invests in Banking sector, IT sector, Marketing and FMCG sectors. On the other hand, if fund house invests only in specific sector, then it will increase risk.

6. Conclusion

This study investigated the performance of selected 5 open-ended, Blue-chip equity mutual fund schemes for the three years starting from January 2018 to December 2020. Monthly opening and closing NAV of different schemes have been used to calculate the returns from the fund schemes. The past performance of the selected mutual fund schemes were studied to check the performance on the basis of Sharpe ratio, Treynor ratio, and Jensen's ratio to measure result, and whose results will be insight full for current and future prospective investors for taking wise investment/financial decisions. It has been seen that Canara Robeco Bluechip Equity Fund and Axis Bluechip Fund of the schemes had performed in line. To add more, the Sharpe ratio shown the positive result for all selected mutual fund schemes which means that selected mutual funds had performed up to mark or better than risk free rate. With this study it can be said that Systematic investment plans are one of the best options to invest the hardcore savings of the investors. Blue Chip Fund is one of the best plans for Investors. It is performing well as it gives high returns as compare to low risk. It is also observed that in COVID pandemic and after pandemic thought Indian economy face slowdown still performance and return given by of blue-chip funds is good enough.

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