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Performance Analysis of Selected Hybrid Aggressive Mutual Fund (G) Schemes in India

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ABSTRACT - The study is titled as Performance Analysis of selected Hybrid Aggressive Mutual Fund (G). The main objective of this study is to evaluate performance of hybrid growth funds with using rolling return as parameter and to suggest existing and potential investors best schemes for investments. Data has been taken from online sources like Value Research, AMFI, and Morning Star etc. The statistical tools used for research are Mean, Standard Deviation, Rank and ANOVA. The findings of the study established that Aditya Birla SL Equity Hybrid 95 Fund (G) SBI Equity Hybrid Fund-Reg (G) have given high return with lowest standard deviation. The study enable the researcher to give suggestion to the investor to invest their savings into hybrid funds with moderate risk.

Key Words: Hybrid growth funds, Rolling return, Performance, Risk.

I. INTRODUCTION

A mutual fund means an investment vehicle that permit investors to pool their resources in order to purchase stocks, bonds and other financial securities for earning. These funds are called Assets Management Company (AUM). The journey of mutual fund in India had begun in 1963 with UTI (an initiative of Government and RBI). In 1987 SBI launched its mutual fund (first non UTI mutual fund). There era of mutual fund industry started in 1983 when private sector companies entered in mutual fund industry. After the SEBI got legal teeth in 1992, the SEBI mutual fund regulation was passed in 1996. For expansion of mutual fund industry a nonprofit organization named Association of Mutual Funds in India (AMFI) was established in 1995.Main objective of AMFI is to promote healthy business and maintain ethical marketing in the mutual fund industry. Mutual funds are managed by fund managers. It allows people to invest their money among variety of schemes and diversification of portfolio with risk tolerance. Certain mutual fund schemes (ELSS) give tax benefits to investors. Mutual fund are classified in various types according to maturity base and investment base i.e. open ended scheme, close ended scheme, equity fund, debt fund, balanced fund, money market mutual fund.

II. IMPORTANT KEY WORDS

Fund: It means a mutual fund scheme that invests primarily in other schemes of the same mutual fund or other mutual funds[1].

Rolling Returns: This returns are also known as rolling period return or rolling time period. It measures return on mutual funds on at different points of time. It also measures the funds absolute and relative performance over a time period. This return provides more accurate picture of performance of various schemes because it is calculated return every day for the period under observation. It works on a probability basis so it will be free from any bias. Rolling returns gives more accurate result compare to other returns so it is useful for investors to manage their expectations from the funds for investment.

Hybrid Mutual Funds: These funds were traditionally known as balanced fund. The name suggest those funds whose portfolio includes equities, debts and money market securities. Aggressive hybrid funds as per SEBI's guidelines, should have minimum active equity allocation of 65% and maximum active allocation should be 80%. There are following types of hybrid funds in India.

Balanced Fund, Growth and Income funds and Asset allocation funds.

Hybrid funds offer diversification of portfolio to investors. Equity can generate capital appreciation while debt shield the investment from volatility.

III. REVIEW OF LITERATURE

Review of some literature deals on "Performance Analysis of selected Hybrid Aggressive Mutual Fund", presented in following.

- Dhanda, Batra and Anjum (2012) examined the performance evaluation of selected open ended schemes. They used Beta, Sharpe and Treynor ratio for analysis. BSE 30 was taken as a benchmark index to compare the performance of mutual fund in India. Out

[1] SEBI (MUTUAL FUNDS) REGULATIONS, 1996

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of sample they investigated that only 3 schemes have showing good return and performed better.

- Dr. Binod Kumar Singh (2012) studied on demographic variables of investors attitudes towards mutual funds. In order to conduct research researcher has collected primary data from 250 respondents in Ranchi. In result he has drawn that out of 250 respondents 71 respondents have shown positive attitude, 117 respondents have neutral and 62 respondents have negative attitude towards investments in mutual funds. In addition researcher also analyzed factors affecting investment in mutual funds by giving rank. It was understood that rate of return got 1st rank for investment in mutual funds and affordability have been ranked 5th for investment in mutual fund.
- Dr. Vijay Kandpal and Prof. P.C. Kavidayal (2014) conducted research on comparative study of selected public and private sector equity diversified funds in Indian context. They have taken HDFC Premier Multi cap, HDFC growth and HDFC core and Satellite mutual funds from private sector for 5 years (2008 to 2013). From the beta, sharp ratio, R square, P/E ratio, researchers found that private sector mutual funds performed better than public sector mutual fund schemes. From analysis they concluded that HDFC growth was the best scheme with having highest return.
- Santheesh Kumar Rangaswamy, Dr. Vetrivel, Athika M. (2016) studied in comparison on performance of equity funds, Index funds, Income funds, balanced funds, Liquid funds and guilt funds. They found that Tata balanced fund provided high return than other categories of fund. Birla sun life cash plus and BNP Paribas overnight fund have lowest standard deviation showing good performance.
- Poonam Devi (2017) investigated perception of investors towards mutual funds primary data was collected by her. It was seen that majority of people like to invest their savings for 1 to 3 years to get maximum returns with tax benefits.
- Mamta and Satishchandra Ojha (2017) studied selected equity diversified mutual funds in India. Researchers have taken 5 top ranking mutual fund schemes and for evaluation they took Sharpe and Treynor ratio. In results, they established that in terms of standard deviation 90% of selected schemes were less risky compared to benchmark index, 7 funds were shown beta less than one and positive. It means that they were safe. Only one out of 10 schemes was shown higher performance.
- Manisha raj, Tanyha Verma, Shruti Bansal and Ashita Jain (2018) investigated comparative analysis of SBI mutual funds and HDFC mutual funds. From the analysis it was seen that the return of HDFC balanced fund was more compared to SBI mutual fund on other end in growth fund SBI fund was having more rate of return then HDFC growth fund. Collectively they analyzed that returns on SBI mutual fund schemes were relatively high. Researcher used Sharpe and Treynor ratio for measuring systematic risk in both type of funds.
- O.V.A.M. Sridevi (2018) has studied performance analysis of midcap and small cap funds. She investigated that out of the 2 schemes from both midcap and small cap funds gave maximum returns. In midcap Axis balanced fund considered insignificant and from small cap fund HSBC balanced fund was desirable. In and all schemes have been shown diversified results.

IV. RESEARCH GAP

After review of literature, it is seen that many studies already have been conducted on mutual funds on National and International level. Some of them were related to investors' perception, sectorial analysis, comparative analysis of various schemes of mutual; funds but very few researchers have studied on comparative study on performance analysis of aggressive hybrid growth mutual fund schemes in India so researcher selects this funds for study to add more research in this area.

OBJECTIVES

- To study various aspects of hybrid mutual funds
- To evaluate the performance of selected hybrid mutual funds
- To suggest top performer Hybrid schemes to investors.

V. RESEARCH METHODOLOGY

A. Scope of the study:

For the study top five hybrid funds (G) have been selected. These funds are on top five ratings by CRISIL as based on NAV 30th September, 2019. Rankings are given based on combination of NAV and portfolio based attributes for evaluation.

These funds are as follows:

- HDFC Hybrid Equity Fund(G)
- Aditya Birla SL Equity Hybrid 95 Fund(G)
- SBI Equity Hybrid Fund-Reg(G)
- Tata Hybrid Equity Fund(G)
- Nippon India Equity Hybrid Fund(G)

B. Study Period:

The period of the study is for 12 months (November 2018 to October 2019). Monthly rolling return from 12 months as declared by relevant mutual funds has been used for the purpose.

C. Source of the Data:

Secondary data have been selected and collected from the books, journals, magazines and newspaper. The data has been also collected from the various websites Value Research, AMFI, Morning Star etc.

D. Hypothesis:

H0: There is no significant difference among rolling return of selected hybrid mutual funds.

E. Tools:

To analyze the data, Mean, Standard Deviation and ANOVA have been used.

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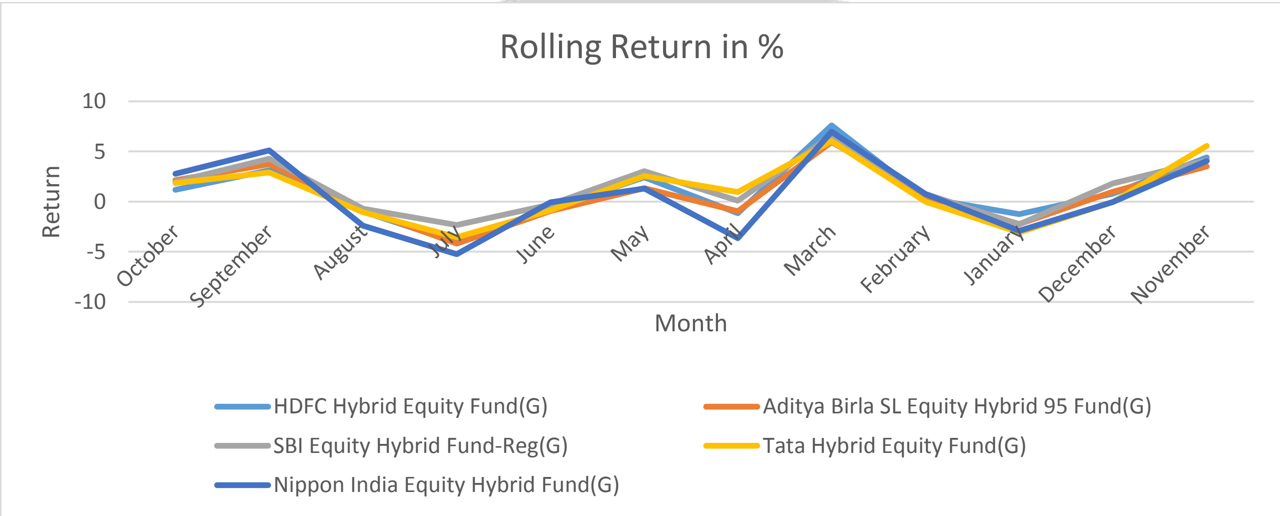
Analysis of the data:

TABLE 1: Monthly Rolling Returns Earned by Schemes (%)

	HDFC HYBRID EQUITY FUND(G)	ADITYA BIRLA SL EQUITY HYBRID 95 FUND(G)	SBI EQUITY HYBRID FUND-REG(G)	TATA HYBRID EQUITY FUND(G)	NIPPON INDIA EQUITY HYBRID FUND(G)
NOV-18	4.41	3.51	4.12	5.55	4.07
DEC-18	0.8	1	1.83	-0.03	-0.05
JAN-19	-1.24	-2.23	-2.26	-3.07	-2.92
FEB-19	0.34	0.58	0.76	0	0.76
MAR-19	7.6	5.94	6.58	6.05	6.98
APR-19	-1.14	-0.95	0.09	0.97	-3.64
MAY-19	2.42	1.34	3.03	2.54	1.32
JUN-19	-0.69	-0.93	-0.3	-0.88	-0.07
JUL-19	-4.06	-4.2	-2.34	-3.56	-5.26
AUG-19	-0.98	-0.81	-0.7	-1.06	-2.41
SEP-19	3.12	3.74	4.29	2.92	5.1
OCT-19	1.17	2.13	1.99	1.84	2.79

Source: Value Research



Source: From above table

Different schemes of hybrid funds launched in different dates so for the purpose of performance evaluation the period covers by researcher Nov 2018 to Oct. 2019. An analysis of table 1 clearly presents rolling returns of all 5 selected hybrid growth funds. HDFC Hybrid Equity Fund has earned maximum positive return except 2 months (July & August 2019). Researcher has given 2nd rank to SBI Equity Hybrid Fund Reg Growth with positive returns except 3 months. In March 2019 as a result of interim budget all schemes have shown maximum rolling return in study period. From the table researcher has monitored the performance of NIPPON India Equity Hybrid Fund and Aditya Birla SL Equity Hybrid Fund, there was no noticeable improvement in return of both funds. AMFI's wish list was not fulfilled in July, 2019 budget. The industry standard organization has listed 16 major proposals for both Equity and debt funds but none of these proposals were accepted in this budget. Clearly effect of budget can be easily seen with negative return in August 2019 for all selected schemes.

Table 2 Standard Deviation

HYBRID AGGRESSIVE FUND	STANDARD DEVIATION	OVERALL RANK
HDFC HYBRID EQUITY FUND(G)	3.07742	4
ADITYA BIRLA SL EQUITY HYBRID 95 FUND(G)	2.90992	2
SBI EQUITY HYBRID FUND-REG(G)	2.74354	1
TATA HYBRID EQUITY FUND(G)	3.01696	3
NIPPON INDIA EQUITY HYBRID FUND(G)	3.72889	5
Source: From Rolling Returns		

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Table 2 shows standard deviation of selected funds. Standard deviation is widely used to measure systematic risk of return of funds. Higher the value of standard deviation of rate of return, will show greater risk by the fund. It is observed that maximum standard deviation of fund return is shown by NIPPON India Equity Hybrid Fund Growth (3.72889) whereas SBI Equity Hybrid Fund Reg. Growth shows least risky with lowest standard deviation (2.74354) SBI fund invest minimum of 65% in Equity instrument so it shows lowest standard deviation because of its conservative approach. Conservative investors who expect moderate high returns prefer this scheme for investment for 3 to 5 years.

In order to undertake further analysis researcher has applied parameter test ANOVA among selected schemes to measure comparative analysis of rolling return during study period.

Ho: There is no significance difference between rolling return of selected Hybrid Aggressive Fund

Table 3 ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.517	4	1.129	.116	.976
Within Groups	524.722	54	9.717		
Total	529.239	58			

Significant Value is 0.976 which is less than 0.05 so we did not accept the null hypothesis and we can say that there is significance difference among rolling return of selected HYBRID AGGRESSIVE FUND

VI. CONCLUSION

The study provides some sights on aggressive hybrid mutual fund (G) performance so as it will assist the investors for taking investment decision. The performance of sample mutual fund schemes has been evaluated in terms of rolling returns. In terms of standard deviation two schemes are safe than the market. This two out of five funds have shown superior performance under ANOVA. Conclusively it was seen that SBI Equity Hybrid Fund Reg (g) performed much better than other scheme as it has consistency of rolling returns with lower standard deviation. It shows low volatility in return in present scenario. Researcher clinched that the conservative investors have to make an investment in those funds which has lowest standard deviation and shows consistency of positive return. Hybrid growth funds are the best schemes for conservative investors because it is given both type of benefits (maximum return in equity and low risk in debt) to the investors. These funds give reward to investors with regular income, moderate capital appreciation and at the same time minimizing the risk of capital erosion. This are appropriate for conservative investors having a long term investment horizon. The study is very relevant in current market scenario. Results from evaluation will guide the investors to invest their money in right schemes of hybrid funds.

LIMITATION AND SCOPE FOR FURTHER RESEARCH

In this research study researcher has taken only Hybrid growth fund. Similar study can be done in other schemes like Equity/Growth funds, Debt/Income funds, Liquid funds, GILT funds, Sector specific funds. The finance minister announced new scheme on her budget named CPSE ETF's. Investments in ELSS or these new schemes qualify for deduction upto 1.5 lacs for deductions u/s 80c for tax savings so research can be done to compare ELSS/ CPSE ETF's vs. PPF. Only 12 months (Nov. 2018 to Oct. 2019) has been considered for analysis. This time period can be extended up to 3 to 5 years for knowing accurate results of the schemes. Researchers has used standard deviation to measure risk and ANOVA for comparing return but same can be done with using other parameters like Benchmark index, Sharpe & Treynor ratio, Alpha & Beta.

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