

MUTUAL FUNDS AT EDELWEISS SECURITIES LTD

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ABSTRACT

This analysis compares the performance and risk characteristics of various mutual funds, including arbitrage funds, hybrid funds, and debt funds. Key findings include significant variations in average returns, risk levels, and investment strategies among the funds analyzed. The "Groww Aggressive Hybrid Fund" stands out with the highest average returns but also exhibits the highest risk and volatility. Conversely, funds like "The Canara Robeco Banking and PSU Debt Fund" offer lower risk and volatility with potentially lower returns. The importance of aligning investment choices with individual risk tolerance and financial goals is emphasized, along with the benefits of diversification across different types of funds to achieve a balanced portfolio. Ultimately, investors are advised to conduct thorough research and seek professional guidance to make informed investment decisions tailored to their specific needs and objectives.

INTRODUCTION

The banking sector plays a pivotal role in the global economy, serving as the backbone of financial intermediation and economic growth. Within this dynamic industry, mutual funds represent a significant avenue for investors to participate in the performance and growth of banking-related assets. This study aims to provide a comprehensive analysis of mutual funds operating within the banking sector, shedding light on their performance, portfolio composition, risk characteristics, and investment strategies.

Importance of the Banking Sector:

The banking sector is essential for facilitating capital allocation, providing credit to businesses and individuals, and mobilizing savings for productive investments. It serves as a key driver of economic activity, influencing monetary policy transmission, financial stability, and overall economic growth.

Role of Mutual Funds:

Mutual funds offer retail and institutional investors a diversified and professionally managed investment vehicle to access the banking sector's potential returns. By pooling funds from multiple investors, mutual funds invest in a range of banking-related assets, including equities, debt instruments, and hybrid securities, thereby spreading risk and enhancing liquidity.

Overview of Banking Sector Mutual Funds:

Provide an overview of mutual funds within the banking sector, including types of funds (e.g., equity funds, debt funds, hybrid funds), major players, and regulatory framework.

NEED FOR THE STUDY:

The study is organized into several sections, including an overview of banking sector mutual funds, performance analysis, portfolio composition, risk assessment, investment strategies, and recommendations for investors. Each section provides valuable insights into different aspects of banking sector mutual funds, contributing to a holistic understanding of this investment category.

By delving into the intricacies of mutual funds within the banking sector, this study aims to equip investors with the knowledge and insights necessary to make informed investment decisions and navigate the complexities of the financial markets.

SCOPE OF THE STUDY:

The scope of the study is focused on the banking sector mutual funds available in the Indian mutual fund market. The aim is to understand these funds within the context of risk reduction for investors. Performance metrics such as average returns, standard deviation, Sharpe ratio, and beta are employed to assess fund performance and risk.

OBJECTIVES OF THE STUDY:

- To understand the current landscape of banking sector mutual funds available in India.
- To explore the process of measuring the performance of different schemes of banking sector mutual funds.
- To evaluate the performance of different schemes and suggest suitable investment options to investors.
- To assist investors in making informed choices regarding their investments.

RESEARCH METHODOLOGY:

Data Collection:

Primary Source: Collection of firsthand information through surveys, observations, etc.

Secondary Source: Utilizing existing data sources such as websites, newspapers, and magazines.

Data Analysis:

The project employs time series analysis with graphical presentation. Formulas applied for mutual funds NAV returns:

Average Returns

$$\text{variance} = \frac{\sum d^2}{n-1}$$

$$\text{risk}(\sigma) = \sqrt{\text{variance}}$$

LIMITATIONS OF THE STUDY:

- depends on historical data, which may sometimes be inaccurate and not fully reflective of future performance.
- Limited duration of the study (45 days), which might not provide a comprehensive understanding of all available options.
- Inability to make definitive investment suggestions based solely on 45 days of historical data.
- REVIEW OF LITERATURE

A scheme can also be classified as growth scheme, income scheme, or balanced scheme considering its investment objective. Such schemes may be open-ended or close-ended schemes as described earlier. Such schemes may be classified mainly as follows:

Growth / Equity Oriented Scheme:

The aim of growth funds is to provide capital appreciation over the medium to long-term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, capital appreciation, etc. and the investors may choose an option depending on their preferences. The

investors must indicate the option in the application form. The mutual funds also allow the investors to change the options at a later date. Growth schemes are good for investors having a long-term outlook seeking appreciation over a period of time.

INDUSTRY PROFILE

The history of mutual funds dates support to 19th century when it was introduced in Europe, in particular, Great Britain. Robert Fleming set up in 1868 the first investment trust called Foreign and colonial investment trust which promised to manage the finances of the moneyed classes of Scotland by scattering the investment over a number of different stocks. This investment trust and other investment trusts which were afterward set up in Britain and the U.S., resembled today's close – ended mutual funds. The first mutual fund in the U.S., Massachusetts investor's trust, was set up in March 1924. This was the open – ended mutual fund.

The stock market crash in 1929, the Great Depression, and the outbreak of the Second World War slackened the pace of growth of the mutual fund industry. Innovations in products and services increased the popularity of mutual funds in the 1950s and 1960s. The first international stock mutual fund was introduced in the US in 1940. In 1976, the first tax – exempt municipal bond funds emerged and in 1979, the first money market mutual funds 4 were created. The latest additions are the international bond fund in 1986 arm funds in 1990. This industry witnessed substantial growth in the eighties and nineties when there was a significant increase in the number of mutual funds, schemes, assets, and shareholders. In the US the mutual fund industry registered s ten – fold growth the eighties. Since 1996, mutual fund assets have exceeds bank deposits. The mutual fund industry and the banking industry virtually rival each other in size.

A Mutual fund is type of Investment Company that gathers assets form investors and collectively invests in stocks, bonds, or money market instruments. The investment

COMPANY PROFILE

Edelweiss Group is a diversified financial services conglomerate based in India, offering a wide range of financial products and services. Here's a profile of Edelweiss Broking Services Ltd.:

Company Overview:

Name: Edelweiss Broking Services Ltd.

Parent Company: Edelweiss Group

Established: Edelweiss Broking Services Ltd. is a subsidiary of the larger Edelweiss Group, which was founded in 1996.

Focus: Edelweiss Broking Services Ltd. is dedicated to providing financial services primarily in the brokerage and investment space.

Mission and Values:

Mission: The company's mission is to build long-term relationships with clients and empower them to capitalize on market opportunities.

Values: Edelweiss Group emphasizes transparency, integrity, and customer-centricity in its operations.

Products and Services:

Edelweiss Broking Services Ltd. offers a diverse range of financial products and services, including:

Equity Trading: Facilitating trading in equities listed on Indian stock exchanges.

Derivatives Trading: Providing access to derivatives such as futures and options.

Currency Trading: Enabling trading in currency pairs in the forex market.

DATA ANALYSIS AND INTERPRETATION

Bank of India Mutual Fund

BANK OF INDIA ARBITRAGE FUND

BANK OF INDIA Arbitrage Fund Direct Plan

Growth

NAV date	Net Asset Value	Returns	Average	Difference	D*D
01-Jan-24	12.9375				
02-Jan-24	12.9433	0.0448	0.0306	0.0143	0.0005
03-Jan-24	12.9519	0.0664	0.0306	0.0358	-0.0027
04-Jan-24	12.9462	-0.0440	0.0306	-0.0746	-0.0089
05-Jan-24	12.9656	0.1496	0.0306	0.1191	0.0071
08-Jan-24	12.9773	0.0902	0.0306	0.0596	-0.0041
09-Jan-24	12.9724	-0.0378	0.0306	-0.0683	0.0034
10-Jan-24	12.9699	-0.0193	0.0306	-0.0498	-0.0021
11-Jan-24	12.9793	0.0724	0.0306	0.0419	0.0005
12-Jan-24	12.9848	0.0424	0.0306	0.0118	0.0004
15-Jan-24	12.9934	0.0662	0.0306	0.0356	-0.0011
16-Jan-24	12.9934	0.0000	0.0306	-0.0306	-0.0014
17-Jan-24	13.0033	0.0761	0.0306	0.0456	-0.0067
18-Jan-24	12.9881	-0.1170	0.0306	-0.1476	-0.0113
19-Jan-24	13.002	0.1069	0.0306	0.0764	0.0100
23-Jan-24	13.023	0.1613	0.0306	0.1307	-0.0222

24-Jan-24	13.0049	-0.1392	0.0306	-0.1697	-0.0176
25-Jan-24	13.0224	0.1344	0.0306	0.1038	-0.0011
29-Jan-24	13.025	0.0200	0.0306	-0.0106	0.0006
30-Jan-24	13.022	-0.0230	0.0306	-0.0536	-0.0011
31-Jan-24	13.0286	0.0507	0.0306	0.0201	0.0015
01-Feb-24	13.0425	0.1066	0.0306	0.0760	-0.0031
02-Feb-24	13.0411	-0.0107	0.0306	-0.0413	-0.0042
05-Feb-24	13.0585	0.1332	0.0306	0.1027	-0.0157
06-Feb-24	13.0425	-0.1227	0.0306	-0.1532	0.0028
07-Feb-24	13.0441	0.0123	0.0306	-0.0183	-0.0001
08-Feb-24	13.0486	0.0345	0.0306	0.0039	0.0000
09-Feb-24	13.0541	0.0421	0.0306	0.0116	0.0005
12-Feb-24	13.0633	0.0704	0.0306	0.0399	-0.0020
13-Feb-24	13.0606	-0.0207	0.0306	-0.0512	0.0017
14-Feb-24	13.0603	-0.0023	0.0306	-0.0329	-0.0006
15-Feb-24	13.0666	0.0482	0.0306	0.0177	0.0005
16-Feb-24	13.0741	0.0574	0.0306	0.0268	-0.0003
19-Feb-24	13.0767	0.0199	0.0306	-0.0107	-0.0005
20-Feb-24	13.0866	0.0756	0.0306	0.0451	-0.0004
21-Feb-24	13.0893	0.0206	0.0306	-0.0099	0.0008
22-Feb-24	13.0833	-0.0459	0.0306	-0.0764	-0.0047
23-Feb-24	13.0953	0.0916	0.0306	0.0611	-0.0032
26-Feb-24	13.0924	-0.0222	0.0306	-0.0527	-0.0026
27-Feb-24	13.1029	0.0801	0.0306	0.0496	0.0031
28-Feb-24	13.115	0.0923	0.0306	0.0617	-0.0103

29-Feb-24	13.0971	-0.1367	0.0306	-0.1672	-0.0066
01-Mar-24	13.1063	0.0702	0.0306	0.0396	0.0025
04-Mar-24	13.1186	0.0938	0.0306	0.0632	-0.0014
05-Mar-24	13.1198	0.0091	0.0306	-0.0214	-0.0001
06-Mar-24	13.1247	0.0373	0.0306	0.0068	0.0003
07-Mar-24	13.1351	0.0792	0.0306	0.0486	-0.0022
11-Mar-24	13.1331	-0.0152	0.0306	-0.0458	0.0040
12-Mar-24	13.1256	-0.0571	0.0306	-0.0877	-0.0041
13-Mar-24	13.1358	0.0777	0.0306	0.0471	-0.0043
14-Mar-24	13.1278	-0.0609	0.0306	-0.0915	-0.0024
15-Mar-24	13.1352	0.0563	0.0306	0.0258	0.0016
18-Mar-24	13.1476	0.0943	0.0306	0.0638	-0.0004
19-Mar-24	13.1507	0.0236	0.0306	-0.0070	-0.0001
20-Mar-24	13.157	0.0479	0.0306	0.0173	-0.0015
21-Mar-24	13.1497	-0.0555	0.0306	-0.0861	0.0018
22-Mar-24	13.1509	0.0091	0.0306	-0.0214	0.0018
26-Mar-24	13.144	-0.0525	0.0306	-0.0831	-0.0117
27-Mar-24	13.1665	0.1709	0.0306	0.1403	0.0051
28-Mar-24	13.1753	0.0668	0.0306	0.0362	-0.0006
31-Mar-24	13.1771	0.0137	0.0306	-0.0169	0.0000
		0.0306			

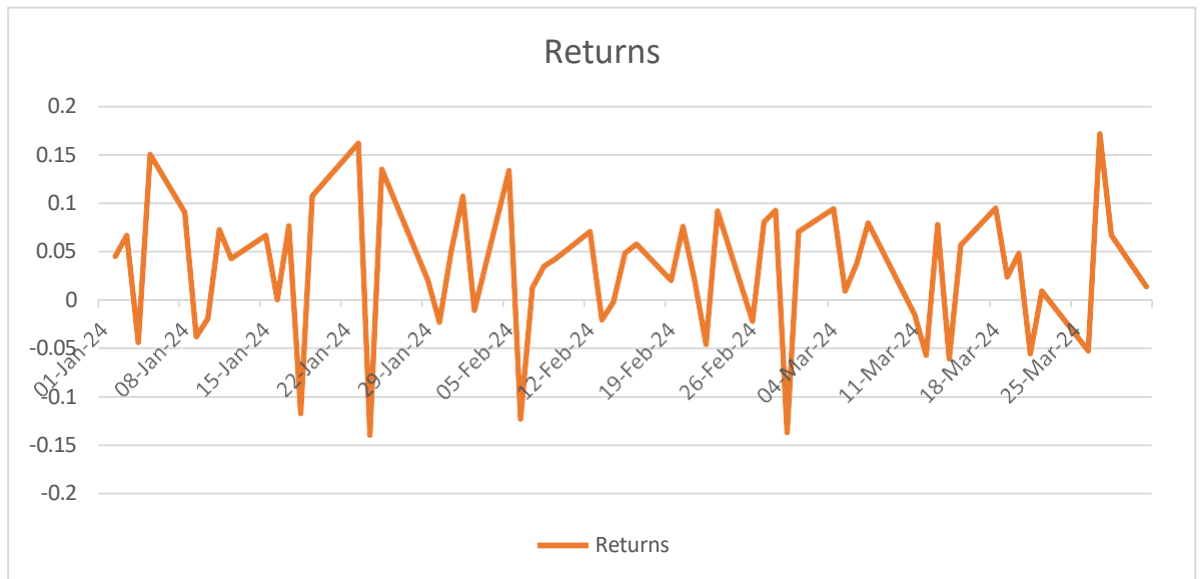
Average Returns(ri) = 0.0306

$$\text{variance} = \frac{\sum d^2}{n-1} = -0.0019136$$

$$\text{risk}(\sigma) = \sqrt{\text{variance}}$$

$$= 0.17492856$$

graphical representation



FINDINGS:

1. The **BANK OF INDIA ARBITRAGE FUND** has average returns of 0.0306 ,
Variance of-0.0019136 , Risk of 0.17492856.
2. The **Bajaj Finserv Arbitrage Fund- Regular Plan-Growth** has average returns of
0.0282 , Variance of 0.005044 , Risk of 0.07102.
3. The **Groww Aggressive Hybrid Fund** has average returns of 0.0967 , Variance of
0.357505 , Risk of 0.597917.
4. The **ITI Arbitrage Fund - Direct Plan - Growth Option** has average returns of
0.0349 , Variance of 0.005226 , Risk of 0.07229.

5. The Canara Robeco Banking and PSU Debt Fund- Direct Plan- Growth

Option has average returns of 0.0347, Variance of 0.002055, Risk of 0.045332.

SUGGESTIONS

Risk Levels: The risk of each fund varies considerably. For instance, the "Groww Aggressive Hybrid Fund" has the highest risk with a value of 0.597917, while "The Canara Robeco Banking and PSU Debt Fund" has the lowest risk at 0.045332.

Average Returns: The average returns also vary across the funds. The "Groww Aggressive Hybrid Fund" stands out with an average return of 0.0967, which is notably higher compared to the others. On the other hand, funds like "The BANK OF INDIA ARBITRAGE FUND" and "The ITI Arbitrage Fund" have relatively lower average returns.

Variance: Variance measures the dispersion of returns around the average return. A higher variance indicates greater volatility. Among the funds mentioned, "The Groww Aggressive Hybrid Fund" has the highest variance at 0.357505, indicating higher volatility in returns.

Arbitrage Funds vs. Hybrid and Debt Funds: The data includes both arbitrage funds and hybrid/debt funds. Arbitrage funds like "The BANK OF INDIA ARBITRAGE FUND" and "The ITI Arbitrage Fund" typically aim to exploit price differences in different markets, often with lower risk. On the other hand, hybrid funds like "The Groww Aggressive Hybrid Fund" invest in a mix of equity and debt instruments, potentially offering higher returns but also higher risk.

Investment Goals and Risk Appetite: Your choice of fund should align with your investment goals and risk tolerance. If you're seeking higher returns and willing to accept higher risk, you might consider funds like "The Groww Aggressive Hybrid Fund." However, if you prioritize lower risk, arbitrage funds or debt funds like "The Canara Robeco Banking and PSU Debt Fund" might be more suitable.

Diversification: It's often recommended to diversify your investments across different asset classes and funds to mitigate risk. You might consider spreading your investments across funds with varying risk levels and investment strategies to achieve a balanced portfolio.

CONCLUSION

Investors should carefully assess their investment objectives, risk tolerance, and time horizon before choosing a mutual fund. The data highlights the diversity in risk levels, average returns, and investment strategies among different funds.

For investors seeking potentially higher returns with a higher risk tolerance, funds like "The Groww Aggressive Hybrid Fund" may be attractive due to their higher average returns, despite the accompanying higher risk and volatility.

Alternatively, investors with a lower risk tolerance may find comfort in funds such as "The Canara Robeco Banking and PSU Debt Fund," which offer lower risk and volatility albeit with potentially lower returns.

Diversification across different types of funds, including arbitrage, hybrid,

and debt funds, can help balance risk and return objectives within an investment portfolio.

Ultimately, investors should conduct thorough research, consider their financial goals and risk appetite, and seek professional advice if needed before making any investment decisions.

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