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Research Paper

COMPARATIVE INVESTEMENT ANALYSIS OF MUTUAL FUNDS AT MOTILAL OSWAL SECURITIES LTD

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ABSTRACT

This report examines the performance metrics of mutual funds and Unit Linked Insurance Plans (ULIPs) offered by ICICI Prudential, Bajaj Finserv, Aditya Birla Sun Life, and Bajaj Allianz. The analysis includes average returns, variance, risk, and Sharpe performance ratios for each fund, providing insights into their potential for investment. Suggestions based on the findings emphasize diversification, risk management, fee considerations, regular monitoring, and the possibility of seeking professional advice. While ICICI Prudential demonstrates the highest average returns, its negative Sharpe ratio indicates inefficient risk-adjusted returns. Aditya Birla Sun Life ULIP presents relatively higher returns but carries significant risk, while Bajaj Allianz ULIP offers lower risk but with lower returns. The conclusion underscores the importance of a comprehensive evaluation of performance, risk, costs, and alignment with investment objectives when selecting funds. It recommends a diversified approach tailored to individual risk tolerance and financial goals, with periodic reviews and adjustments to optimize returns and manage risk effectively.

INTRODUCTION

MUTUAL FUNDS:

A shared store is a venture vehicle, which pools cash from speculators with normal speculation goals. The speculations are made by an 'Advantage administration organization' or AMC.

Every financial specialist claims shares, which speak to a bit of the possessions of the reserve. Therefore, it is a standout amongst the most reasonable venture choices for the regular man as it offers a chance to put resources into a differentiated, professionally oversaw bushel of securities at a moderately ease.

Definition:

A shared store is an open finished speculation support that accumulates capital from various financial specialists to make a pool of cash that is then re-put into stocks, bonds and different resources. All the shared assets are enrolled with SEBI. They work inside the arrangements of strict direction made to ensure the premiums of the financial expert.

As financial specialists, we can purchase common reserve 'units', which essentially speak to a lot of holding in a specific plan. These units can be acquired or recovered as required at the reserve's present net resource esteem (NAV). These NAVs continue fluctuating, as indicated by the reserve's property. So every financial specialist takes an interest relatively in the gain or loss of the reserve.

NEED FOR THE STUDY:

In today's dynamic financial landscape, investors are faced with an array of investment options, each with its unique features and complexities. The need for this study arises from the growing interest among investors in mutual funds and ULIPs as vehicles for wealth accumulation and financial security. By conducting a comparative analysis, investors can gain clarity on the distinguishing characteristics, benefits, and drawbacks of these investment avenues, thus enabling them to make informed decisions tailored to their financial goals and risk preferences.

SCOPE OF THE STUDY:

The scope of this study encompasses a comprehensive comparison between mutual funds and ULIPs across various parameters, including returns, risk, flexibility, costs, and taxation. Additionally, the study may explore the regulatory framework governing these investment vehicles and the evolving market trends influencing investor behavior. However, the study will not delve into specific investment strategies or provide personalized financial advice.

OBJECTIVES OF THE STUDY

- To study the Unit Linked Insurance Policies of (ULIPS) and mutual funds.
- To compare the risk and returns on mutual funds and ULIPS.
- To determine which investment option

(ULIPS/Mutual funds) would bring out maximum returns for an investor.

RESEARCH METHODOLOGY

Sources of data: -

The data for the study has been collected from websites, Newspaper, Internet and business magazines.

Tools and Techniques used:

- Average returns= (close price-previous price)/previous price x 100
- Risk= $\sqrt{\sum}/(n-1)$ (n = No. of values, D = Difference of average returns)
- Sharpe performance index = $(Rp-Rf)/\sigma$

LIMITATIONS OF THE STUDY

- Comparison of funds with ULIPS is difficult as each of them come with different objectives. Moreover the past performance of various funds may or may not be sustained in the future.
- Since this project was undertaken for a less period meticulous study could not be carried out.
- Much of the data is collected from secondary sources. The calculations so made with the help of above data may not be accurate.

REVIEW OF LITERATURE:

ULIPs are largely sold as solely investment products. It has been strong positioning that a larger share of retail investors money enters the market through ULIPs than through pure investment products like mutual funds. Mutual Fund is an investment vehicle which collects the funds from small investor and invests in large Organizations. ULIP distinguishes itself through the multiple benefits that it provides to the consumer. These are quite similar in terms of their structure and functioning. But they are different in terms investment, expenses ratio, risk and Return characteristics. The study made to evaluate the performance of both selected schemes of Mutual Funds and ULIPs in India. The study based on secondary data and covers a period of 5 years for evaluating the performance of the schemes. It concluded that Mutual Funds are given better opportunity to small investor in terms of return, low expenses ratio, lower the Risk and Volatility, return to variability and volatility compared to ULIPs. The Mutual fund Schemes and ULIPs can become a best investment alternative, provided, awareness is created among the investors.

A Mutual fund is a trust that collects the savings of a number of investors who have 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 appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual fund is the most appropriate 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. In other sense, A Mutual fund is just the connecting bridge or a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The Mutual fund will have a fund manager who is responsible for investing the gathered money into specific securities (stocks or bonds). When investor invest in a Mutual fund, they are buying units or portions of the Mutual fund and thus on investing becomes a shareholder or unit holder of the fund. II. Balanced Mutual Fund –A Notion Mutual funds are classified by the type of investments they own. Some Mutual funds only own stocks. These are called equity funds. Some Mutual funds only own bonds. These are called Debt funds or fixed income funds. But some Mutual funds own both, and these are called balanced funds or Hybrid funds. Balanced Mutual funds are one of the types of various Mutual funds available in the market. If Investor are wondering if there is any fund that can combine benefits of income and capital appreciation, look no further, this is it. Balanced Mutual funds make it possible by investing in an assortment of investment instruments such as stocks, money markets and bonds etc. Alternately these are also called as asset allocation funds. The proportion in which the balanced Mutual funds allocate their assets is usually 60% to 65% in stocks and the balance in bonds. The proportion is not disturbed while managing the fund as it is to remain within the pre set minimum and maximum limits.

INDUSTRY PROFILE

Mutual Fund is basically a sharing device. The losses to assist resulting from natural calamities like fire, flood, earthquake, accidents, etc. are not met out of common pool contributed by large number of persons who are exposed to similar risks. This contribution of many is used to pay the losses suffered by the few. However the basic principle is that loss should occur as a result of natural calamities or unexpected events, which are beyond the human control. Secondly insured person should not make any gains out of insurance.

It is natural to think of insurance of physical assets such as motorcar insurance or fire insurance but often we forget that creator of all these assets is human being whose efforts have gone a long way in

building up the assets. In that sense, human life is a unique income- generating asset. Unlike the physical assets, which decrease in value with the passage of time, the individual becomes more experienced and more matured as he advances in age. This raises his earning capacity and the purpose of life insurance is to protect the income of individual and provide financial security to his family, which is dependent on his income in the event of his premature death. The individual himself also needs financial security for the old age or on his becoming permanently disabled when his income will stop. Insurance also has an element of savings in certain cases.

Mutual Fund is related to the protection of the economic value of the asset. Every asset has a value .The asset would have been created through the effort of the owner, in the expectation that, either through the income generated there from or some other output, some of his needs would be met. In the case of the factor or a cow, the production is sold and income generated. In the case of a motorcar, it provides comfort and convenience in transportation. There is no direct income. There is normally expected life time for the asset during which time it is expected to perform. the owner, aware of this , can so manage his affairs that by the end of that life time, a substitute is made available to ensure that the value, or income is not lost, however , if the asset get lost earlier, being destroyed or made nonfunctional, through an accident or other unfortunate event, the owner and those deriving benefits therefore suffer. Insurance is a mechanism that helps to reduce such adverse consequences.

COMPANY PROFILE

Motilal Oswal Securities Ltd. (MOSL) was founded in 1987 as a small sub-broking unit, with just two people running the show. Focus on customer-first attitude, ethical and transparent business practices, respect for professionalism, research-based value investing and implementation of cutting-edge technology have enabled us to blossom into an over 1500 member team.

Today we are a well-diversified financial services firm offering a range of financial products and services such as Private Wealth Management, Retail Broking and Distribution, Institutional Broking, Asset Management, Investment Banking, Private Equity, Commodity Broking and Principal Strategies.

We have a diversified client base that includes retail customers (including High Net worth Individuals), mutual funds, foreign institutional investors, financial institutions and corporate clients. We are headquartered in Mumbai and as of April 30th, 2013, had a network spread over 527 cities and towns comprising 1484 Business Locations operated by our Business Partners and us. As on April 30th, 2013, we had 773,716 registered customers.

Research is the solid foundation on which Motilal Oswal Securities‟ advice is based. Almost 10% of revenue is invested on equity research and we hire and train the best resources to become our advisors. At present we have an expert team of Research Analysts researching 25+ sectors and commodities. From a fundamental, technical and derivatives research perspective, Motilal Oswal`s research reports have received wide coverage in the media. Our consistent efforts towards quality equity research have reflected in an increase in the ratings and rankings across various categories in the Asia Money Brokers Poll over the years.

DATA ANALYSIS AND INTERPRETATION

MUTUAL FUNDS

TABLE SHOWING THAT RISK AND RETURN OF ICICI PRUDENTIAL EQUITY ARBITRAGE FUND – DIRECT PLAN - GROWTH

NAV date	Net Asset Value	Returns	Avg Returns	Difference	D*D
01-Jan-24	32.7903				
02-Jan-24	32.8206	0.0924	0.0349	0.0575	0.0033
03-Jan-24	32.8362	0.0475	0.0349	0.0126	0.0002
04-Jan-24	32.8249	-0.0344	0.0349	-0.0694	0.0048
05-Jan-24	32.8623	0.1139	0.0349	0.0790	0.0062
08-Jan-24	32.8949	0.0992	0.0349	0.0643	0.0041
09-Jan-24	32.8926	-0.0070	0.0349	-0.0419	0.0018
10-Jan-24	32.8777	-0.0453	0.0349	-0.0802	0.0064
11-Jan-24	32.9085	0.0937	0.0349	0.0587	0.0035
12-Jan-24	32.9211	0.0383	0.0349	0.0034	0.0000
15-Jan-24	32.9293	0.0249	0.0349	-0.0100	0.0001

16-Jan-24	32.9566	0.0829	0.0349	0.0480	0.0023
17-Jan-24	32.9609	0.0130	0.0349	-0.0219	0.0005
18-Jan-24	32.9363	-0.0746	0.0349	-0.1096	0.0120
19-Jan-24	32.9516	0.0465	0.0349	0.0115	0.0001
23-Jan-24	33.0342	0.2507	0.0349	0.2157	0.0465
24-Jan-24	32.9814	-0.1598	0.0349	-0.1948	0.0379
25-Jan-24	33.0251	0.1325	0.0349	0.0976	0.0095
29-Jan-24	33.0373	0.0369	0.0349	0.0020	0.0000
30-Jan-24	33.0411	0.0115	0.0349	-0.0234	0.0005
31-Jan-24	33.0527	0.0351	0.0349	0.0002	0.0000
01-Feb-24	33.0695	0.0508	0.0349	0.0159	0.0003
02-Feb-24	33.0708	0.0039	0.0349	-0.0310	0.0010
05-Feb-24	33.1152	0.1343	0.0349	0.0993	0.0099
06-Feb-24	33.0898	-0.0767	0.0349	-0.1116	0.0125
07-Feb-24	33.0945	0.0142	0.0349	-0.0207	0.0004
08-Feb-24	33.1049	0.0314	0.0349	-0.0035	0.0000
09-Feb-24	33.1273	0.0677	0.0349	0.0327	0.0011
12-Feb-24	33.1440	0.0504	0.0349	0.0155	0.0002
13-Feb-24	33.1365	-0.0226	0.0349	-0.0576	0.0033
14-Feb-24	33.1414	0.0148	0.0349	-0.0201	0.0004
15-Feb-24	33.1476	0.0187	0.0349	-0.0162	0.0003
16-Feb-24	33.1745	0.0812	0.0349	0.0462	0.0021
19-Feb-24	33.1880	0.0407	0.0349	0.0058	0.0000
20-Feb-24	33.2028	0.0446	0.0349	0.0097	0.0001
21-Feb-24	33.2261	0.0702	0.0349	0.0352	0.0012
22-Feb-24	33.2083	-0.0536	0.0349	-0.0885	0.0078
23-Feb-24	33.2352	0.0810	0.0349	0.0461	0.0021
26-Feb-24	33.2309	-0.0129	0.0349	-0.0479	0.0023
27-Feb-24	33.2560	0.0755	0.0349	0.0406	0.0016
28-Feb-24	33.2924	0.1095	0.0349	0.0745	0.0056
29-Feb-24	33.2504	-0.1262	0.0349	-0.1611	0.0260
01-Mar-24	33.2650	0.0439	0.0349	0.0090	0.0001
04-Mar-24	33.2856	0.0619	0.0349	0.0270	0.0007
05-Mar-24	33.2991	0.0406	0.0349	0.0056	0.0000
06-Mar-24	33.3021	0.0090	0.0349	-0.0259	0.0007
07-Mar-24	33.3345	0.0973	0.0349	0.0624	0.0039
11-Mar-24	33.3470	0.0375	0.0349	0.0026	0.0000
12-Mar-24	33.3273	-0.0591	0.0349	-0.0940	0.0088
13-Mar-24	33.3595	0.0966	0.0349	0.0617	0.0038
14-Mar-24	33.3336	-0.0776	0.0349	-0.1126	0.0127
15-Mar-24	33.3568	0.0696	0.0349	0.0347	0.0012
18-Mar-24	33.3865	0.0890	0.0349	0.0541	0.0029
19-Mar-24	33.3985	0.0359	0.0349	0.0010	0.0000
20-Mar-24	33.4072	0.0260	0.0349	-0.0089	0.0001
21-Mar-24	33.3975	-0.0290	0.0349	-0.0640	0.0041
22-Mar-24	33.4015	0.0120	0.0349	-0.0230	0.0005

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26-Mar-24	33.3854	-0.0482	0.0349	-0.0831	0.0069
27-Mar-24	33.4523	0.2004	0.0349	0.1654	0.0274
28-Mar-24	33.4794	0.0810	0.0349	0.0461	0.0021
31-Mar-24	33.4843	0.0146	0.0349	-0.0203	0.0004
		0.0349			**0.2944**

AVERAGE RETURNS = 0.0349 VARIANCE=$\frac{\sum D^2}{N-1}$

= 0.004907007

RISK (σ)=$\sqrt{VARIANCE}$

= 0.070050034

Sharpe performance ratio=(ri-rf)/ σ

Rf=risk free rate of interest

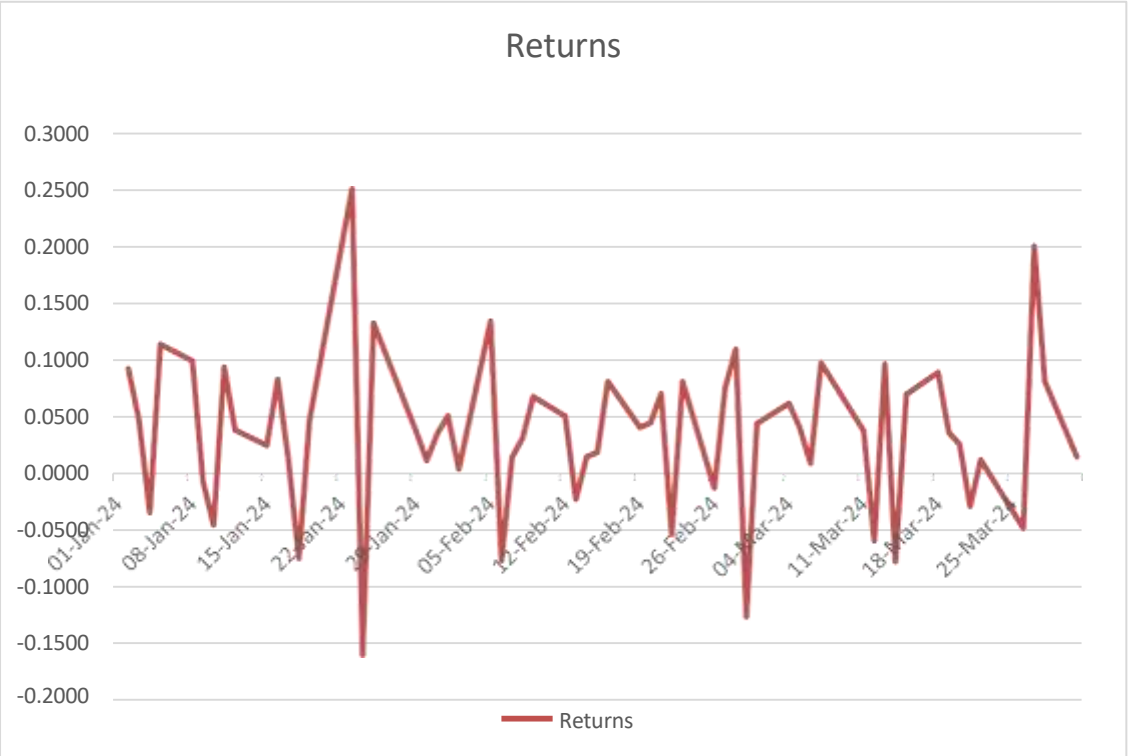
=0.625

Sharpe performance ratio=(ri-rf)/ σ

= 0.0349-0.625/0.070050034

= -8.887294099

GRAPHICAL REPRESENTATION



INTERPRETATION

From the above table and graph it represents the risk and returns of ICICI Prudential Equity Arbitrage Fund – Direct Plan – Growth for a period of 3 months i.e. from 01-Jan-2024 to 31-Mar-24, the ICICI Prudential has average returns of 0.0349, Variance of 0.0049 , Risk of 0.070050 and Sharpe performance ratio is -8.887.

The highest the ICICI Prudential NAV on 31-MAR-24 i.e. 33.4843 and the Lowest ICICI Prudential NAV on 01-JAN-24 i.e. 32.7903.

FINDINGS

MUTUAL FUNDS

- ICICI Prudential has average returns of

0.0349, Variance of 0.0049, Risk of 0.070050 and Sharpe performance ratio is -8.887.

- Bajaj Finserv has average returns of 0.0312, Variance of 0.0049, Risk of 0.07010 and Sharpe performance ratio is -8.8828.
- Aditya Birla Sun Life has average returns of 0.0321, Variance of 0.0051, Risk of 0.07166 and Sharpe performance ratio is -8.6895.

ULIPS

- ICICI Prudential has average returns of 0.0497 , Variance of 0.5702 , Risk of 0.75517 and Sharpe performance ratio is -0.7779.
- Bajaj Allianz has average returns of 0.0353, Variance of 0.1080 , Risk of 0.32876 and Sharpe performance ratio is -1.8657.
- Aditya Birla Sun Life has average returns of 0.0527 , Variance of 0.3328, Risk of 0.5769 and Sharpe performance ratio is -1.0305.

SUGGESTIONS

Based on the provided data, here are some suggestions:

Diversification: Consider diversifying your investment portfolio across different mutual funds and ULIPs to spread risk. While ICICI Prudential may have the highest average returns, its negative Sharpe ratio suggests that it may not be the most efficient in terms of risk-adjusted returns. Look for a mix of funds with varying risk levels to balance potential returns and risk.

Risk Management: Pay attention to the risk metrics such as variance and risk values provided for each fund. Lower variance and risk values generally indicate lower volatility and potential downside risk. Choose funds with risk levels that align with your risk tolerance and investment goals.

Review Fees and Charges: Don't forget to consider fees and charges associated with each fund, including management fees, administrative fees, and other expenses. Lower-cost funds can have a significant impact on overall returns over the long term.

Regular Monitoring: Periodically review the performance of your investments and make adjustments as needed. Market conditions and fund performance can change over time, so staying informed and proactive is essential for maximizing returns and managing risk. , Risk of

Consider Professional Advice: If you're unsure about which funds to choose or how to optimize your investment portfolio, consider seeking advice from a financial advisor. They can provide personalized recommendations based on your financial situation, goals, and risk tolerance.

CONCLUSION

In conclusion, while the data provided highlights certain key metrics for mutual funds and ULIPs from different companies, it's essential to consider various factors before making investment decisions.ICICI Prudential stands out with the highest average returns among both mutual funds and ULIPs. However, its negative Sharpe performance ratio suggests that it may not offer the best risk-adjusted returns. Aditya Birla Sun Life ULIP has relatively higher average returns compared to others but also carries significant risk. Bajaj Allianz ULIP has a relatively lower risk profile among ULIPs but offers lower average returns. Diversifying investments across different funds and asset classes can help spread risk and optimize returns. Consider a mix of funds with varying risk levels that align with your investment goals and risk tolerance. Pay attention to fees and charges associated with each fund, as they can impact overall returns. Opt for funds with competitive fees and charges to maximize returns. Keep track of the performance of your investments and make adjustments as necessary. Market conditions and fund performance can change over time, so staying informed is crucial.Ultimately, the choice of funds should be based on a thorough assessment of factors such as performance, risk, costs, and alignment with investment objectives. Consider seeking advice from a financial advisor to make well-informed investment decisions tailored to your specific financial situation and goals.

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