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Performance Analysis of Sundaram Mutual Funds

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Abstract

Performance Analysis of the Mutual funds is required as it gives the ideas about the funds, their risk and return factors .this paper is about the selected funds of Sundaram Mutual Funds. The objective is to determine the best performing fund using the risk analysing tools like Sharpe ratio, Treynor Ratio, Month on Month performance , Beta and Alpha .the funds are also forecasted using Simple Moving average . The fund chosen are Growth plan and includes equity, debt and hybrid funds from the year 2014 to 2017. The best and the worst performance of each fund are taken into account along with other top holding funds of the same category, with its cumulative performance. According to the risk appetite of each customer, the funds are best suited. On analysing the Sundaram Mutual Funds it is found that the Sundaram Large and Midcap funds is a suitable choice for equity investments, Sundaram Low Duration Fund for debt investments and Sundaram Equity oriented fund for the Hybrid investments

Keywords: - *Mutual funds, Investment tool, BNP Paribas Asset Management, (BNPPAM)*

INTRODUCTION

Mutual funds is a investment tool which helps in pooling the collected money of the investors for the purpose of investing in stocks, bonds, money market instruments, and other assets. Mutual Fund collects money from investors and invests the money on their behalf. It charges a fee for managing the fund, these charges are called expense ratio. Generally the Mutual funds are chosen based on the investor's financial goal.

COMPANY PROFILE

Sundaram Asset Management Company has 20 years of experience in fund management and is a fully owned subsidiary of one of India's oldest and most respected NBFCs - Sundaram Finance Limited. The Company was jointly promoted by Sundaram Finance Ltd and Stewart Newton Holdings (Mauritius) Ltd in 1996. BNP Paribas Asset Management, (BNPPAM) France, entered into a joint venture with SFL and acquired a 49.9% stake in the Company in 2006. BNPPAM decided to exit the JV with SFL in 2010. After 2010 Sundaram Asset Management Company Ltd., has a wholly owned subsidiary of Sundaram Finance Ltd. In the year 2017, the company's average asset under management is about Rs 26,896 cr. It has shown 21% growth when compared to previous year which had an average of 22,170 cr. During the year 2017 Sundaram mutual fund has launched 7 close ended schemes and 1 open ended schemes mobilizing Rs 555.04 cr.

Capital markets were strong during the year. The Sensex moved from 25,342 points as at 31 March 2016 to 29,620 points as at 31 March 2017 and returned 17%. Nifty moved from 7,738 points to 9,174 points for the same period and returned 19%. 10 Year G-Sec yields were 6.69% when compared to 7.46% in the previous year.

NEED OF THE RESEARCH

Mutual fund is booming sector now a days and it has lot of scope to generate income and providing return to the investor. The impressive growth of mutual funds in India has attracted the attention of Indian researchers, individuals and institutional investors. The need of the Research work is to evaluate the performance of different mutual funds in India available in the selected banks and keep the mutual fund investors fully aware of it. Thus, there is the need to investigate how efficiently the hard earned money of the investors and scarce resources of the economy are efficiently utilized by mutual funds.

Scope of the study

The present study attempts to provide an insight into the performance of various Sundaram mutual funds. This helps to analyse whether the firm is able to meet its current obligation. It also encompasses the financial analysis of Sundaram mutual funds with regard to some of its schemes. The study is analytical in nature and information used has been obtained from secondary source.

OBJECTIVES OF THE STUDY:

The primary objective of the present study entitled "Performance evaluation of Sundaram mutual funds" its impact on the retail investors on one hand and its risk & return on the other. To be specific following are the main objective of the present research study.

- To study the Sundaram Mutual fund
- To study the risk-return preference of investors.

REVIEW OF LITERATURE

Ravichandran, M., &Jayraj, A. (2017) conducted a study on performance evaluation mutual fund schemes in India. This study is conducted to identify the factors which prevent the investors from investing in mutual funds and to analyze the performance of various mutual fund schemes and suggest the best one.

The main objective of this study work is to study financial performance of selected mutual fund schemes through the statistical parameters such as (beta, standard deviation, coefficient of determination, Sharpe ratio). The findings of this study will helpful to investors for their investment decisions in future.

RESEARCH METHODOLOGY

Research design

The research design will help us to address the research problem in an effective way, it is an overall strategy done in a logical way to integrate the different components of the study. It is done using a logical way for data collection, measurement and for the analysis of the data.

RESEARCH TOOLS

Performance evaluation models will be used for the analysis purpose. Mutual funds schemes would be measuring with the help of following models.

- Capital asset pricing Model
- Rate of return model
- Sharpe model
- Treynor model

LIMITATIONS OF THE STUDY

For the purpose of performance evaluation, those schemes have been selected which are in operation since last 4 years.

Data Analysis

FUND NAME	BEST PERFORMANCE	WORST PERFORMANCE	SHARPE RATIO	R SQUARE	BETA	ALPHA	TREYNOR
Sundaram Large and Mid Cap Fund	6.05 % ,OCT -17	1.37% , AUG 2017	0.6	0.93	0.8	1.43%	9.27
Sundaram Select Focus Fund	6.53 %,JUL-17	1.38%,SEP-17	0.43	0.95	0.9	0.69%	6.12
Sundaram Mid Cap Fund	6.35% ,APR -17	3.79% , JAN -17	0.34	0.94	0.95	-2.80%	6.08
Sundaram Financial Services Opportunities Fund	6.32 % , JUL -17	3.28 % , AUG-17	0.36	0.97	3.96	-2.11%	6.94
Sundaram Short term debt Fund	0.82% ,JUL-17	0.12% ,FEB-17	0.89	0.38	1.55	8.95%	0.35
Sundaram Low Duration Fund	0.71% ,JUL-17	0.40% ,DEC -17	2.18	0.42	0.35	4.05%	0.82
Sundaram Money Fund			16.34	29	0.4	3.28%	8.65
Sundaram Corporate Bond Fund	1.24%, MAY-17	0.89%,FEB-17	0.4	0.89	1.27	1.30%	0.97
Sundaram Debt Oriented Hybrid Fund	2.34%,APR-17	1.04%,JAN-18	0.3	0.48	0.64	0.33%	1.97
Sundaram Hybrid Oriented Hybrid Fund	3.9%,JUL-17	1.17%,AUG -18	0.55	0.88	0.78	1.82%	6.64

FINDINGS AND SUGGESTIONS

Equity

- ***Sundaram Large and Mid-cap funds***

This fund has outperformed the benchmark index (Nifty 200 Total return index) by 1.43 %. This fund has performed better in the month of October, 2017 and the month performance has dropped to -1.37 % in August, 2017. Fund return is 23.66 % and the turnover is 102 %.

- ***Sundaram Select Focus fund***

The fund has outperformed the benchmark index (Nifty 50 Total return index) by 0.69 %. This fund has performed better in the month of July, 2017 and the month performance has dropped to -1.38 % in September, 2017. Fund return is 17.17% and the turnover is 55 % for the year 2017.

- ***Sundaram Midcap Fund***

The fund has underperformed the benchmark index (S&P BSE Midcap index) by 2.80%. This fund has performed better in the month of April, 2017 and the month performance has dropped to -3.79 % in January,2017. Fund return is 27.97% and the turnover is 44 % for the year 2017.

- ***Sundaram Financial Service Opportunities Fund***

The fund has underperformed the benchmark index (Nifty Financial Service index) by 2.11%. This fund has performed better in the month of June, 2017 and the month performance has dropped to -3.28 % in August, 2017. Fund return is 21.19% and the turnover is 38 % for the year 2017
.

DEBT FUNDS

Sundaram Short-Term Debt funds 0.89

The fund has outperformed the benchmark index (CRISIL Short term Bond index) by 8.95%. This fund has performed better in the month of July, 2017 and the month performance has dropped to -0.12% in February, 2017. Fund return is 7.64% for the year 2017.

Sundaram Low Duration Fund 2.18

The fund has outperformed the benchmark index (Ultra Short Debt index) by 4.05%. This fund has performed better in the month of July, 2017 and the month performance has dropped to 0.40 % in December, 2017. Fund return is 8.05 % for the year 2017.

Sundaram Money Fund 16.34

The fund has outperformed the benchmark index (CRISIL Liquid fund index) by 3.28%. Since it is a newly launched fund in the year of 2016, the performance cannot be analysed .the Return since launch is 7.78 %.

Sundaram Corporate Bond 0.4

The fund has outperformed the benchmark index (CRISIL AAA medium term bond index) by 1.30%. This fund has performed better in the month of May, 2017 and the month performance has dropped to -0.89% in February, 2017. Fund return is 8.24 % for the year 2017.

HYBRID FUNDS

Sudaram Debt Oriented Hybrid Funds 0.30

The fund has outperformed the benchmark index (CRISIL Hybrid 85+15 Conservative indexes) by 0.33%. This fund has performed better in the month of April, 2017 and the month performance has dropped to -1.04% in January, 2017. Fund return is 11.40 % for the year 2017.

Sudaram Equity Oriented Hybrid Funds 0.55

The fund has outperformed the benchmark index (CRISIL Hybrid 85+15 Aggressive indexes) by 0.33%. This fund has performed better in the month of July, 2017 with 3.90 % and the month performance has dropped to -1.17% in August, 2017. Fund return is 15.02 % for the year 2017

SUGGESTIONS

Equity Funds:

Considering the returns and the turnover, the Sundaram Large and Midcap funds is a suitable choice .The Sharpe ratio is also high comparatively implying higher returns than the other 3 funds in the equity.

Debt Funds: Though the Sharpe ratio denotes that investing in the Sundaram Money Fund, it is not advisable as it is a newly launched fund. So the ideal choice would be investing in the Sundaram Low Duration Fund which gives comparatively high returns among the Debt funds. Hybrid Funds: Based on the Sharpe ratio and the return the Sudaram Equity Oriented Hybrid Funds is a better investment even though both funds are performing well.

CONCLUSION

Mutual funds are an excellent source investment and Sundaram Mutual Fund offers quite a few options for the investors. On analysing the Sundaram Mutual Funds it is found that the Sundaram Large and Midcap funds are a suitable choice for equity investments, Sundaram Low Duration Fund for debt investments and Sundaram Equity oriented fund for the Hybrid investments. This paper studies only the growth funds of the Sundaram Mutual Funds .The return of the funds are mainly based on the Stock holdings of the fund and the Market index .The paper has also given forecasting results of the performance of the funds in the next year.

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