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## ANALYSIS OF FLUCTUATIONS IN MUTUAL FUND INDUSTRY THROUGH COMPARISON OF LONG TERM EQUITY FUNDS

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### Abstract

*A reasoned mutual fund investor is always interested to analyze and compare the funds in which they want to make investment, but given the many available funds, it is tough to compare and make a choice because of wide fluctuations and volatility in market. It is a very hard task but not impossible. There are various parameters by which an investor can compare and evaluate the performance of selected funds while making investment decisions. These parameters include returns, risk, NAV & net assets etc. Here I am using data of two companies ICICI Prudential and INVESCO Mutual Fund for comparison of long term equity funds on the basis of 4 parameters i.e. rating, NAV (week high and week low), Net assets and Rank.*

**Keywords:** *Mutual funds, Risk, NAV etc.*

A mutual fund is a professionally-managed investment scheme, usually run by an asset management company that brings together a group of people and invests their money in stocks, bonds and other securities rather than a single avenue. The biggest advantage of investing through a mutual fund is that it gives small investors access to professionally-managed, diversified portfolios of equities, bonds and other securities, which would be very difficult to create with a small amount of capital. Every investor has his own mindset when it comes to choosing a scheme. Some go by the star-ratings, whereas others opt for toppers in the mutual fund industry's performance chart. Risk is inherent to investing. Investments vary across the risk spectrum, but there is hardly any investment that's entirely risk-free.

Here is the list of a few parameters on the basis of which an investor can make evaluation:

- **RISK IN MUTUAL FUNDS**

Mutual funds also carry risk. In the world of investments, risk is the other name for volatility or fluctuation in price. An investment that is susceptible to wild swings in either direction is considered to be highly risky. Both equity funds and debt funds carry risk. Comparatively, debt funds are generally not as risky as equity funds. Equity tends to be volatile, especially in the short to medium term.

New mutual fund investors prefer equity-oriented hybrid schemes (popularly known as balanced schemes) to pure equity schemes, say financial planners. The demonetization drive of the central government has prompted these investors to look for new avenues to earn more than traditional bank deposits. However, they are not buying the sales pitch that pure equity funds like large cap funds that invest 100 per cent of the corpus have the potential to offer superior returns than balanced funds that invests their corpus in debt and equity mix.

- **NET ASSET VALUE OF MUTUAL FUNDS**

Net Asset Value is the worth, in market terms, for each unit of the fund. It is calculated as the market value of all investments in the fund less liabilities and expenses divided by the outstanding number of units in the fund. Most schemes announce their NAVs on a daily basis.

- **RATING AND RANKING OF MUTUAL FUNDS**

CRISIL Mutual Fund Ranking (CMFR) is based on global best practices. It was launched in June 2000 and since then it has gained high acceptance among investors, intermediaries and asset management companies. CMFR covers various categories across equity, debt and hybrid asset classes. Unlike most other ranking models, which are based purely on returns or net asset value (NAV), CMFR uses a combination of NAV and portfolio-based attributes for evaluation. This provides a single point analysis of mutual funds, taking into consideration key parameters such as risk-adjusted returns, asset concentration, liquidity and asset quality. The ranks are assigned on a scale of 1 to 5, with CRISIL Fund Rank 1 indicating 'very good performance'

The following table indicates that returns of equity funds varied from each other in spite of same market conditions.

<b>Fund Category</b>	<b><u>1-Year Return (%)</u></b>
Equity: Technology	30.52
Equity: FMCG	24.20
Equity: Small Cap	21.01
Equity: International	17.40
<u>Equity: Mid Cap</u>	15.15
Equity: Tax Saving	15.07
Equity: Infrastructure	14.64
Equity: Multi Cap	14.32
Equity: Large Cap	12.68
Equity: Banking	11.05
Equity: Pharma	-4.85

The data of two companies have been taken ICICI Prudential and Invesco Mutual funds for studying fluctuations in mutual funds market. The various funds that are under study includes: ICICI Pru Value Discovery-G, ICICI Prudential Dynamic Plan, ICICI

Prudential Long Term Equity (Tax Saving)-G, Invesco India Contra-G, Invesco India Tax Plan-G and Invesco India Dynamic Equity-G.

**Comparison of ICICI Prudential Value Discovery Fund and Invesco India Contra Fund**

Fund	Rating	1-Month Return	1-Month Rank	3-Month Return	3-Month Rank	1-Year Return
ICICI Prudential Value Discovery Fund	****	1.01	186/196	-5	169/196	7.24
Invesco India Contra Fund	*****	2.87	70/122	-4	44/122	21.68

Scheme	NAV	As On	Change From Previous	52-Week High	As On	52-Week Low
ICICI Prudential Value Discovery Fund	141.79	10-Apr-18	0.04	151.63	24-Jan-18	131.52
Invesco India Contra Fund	46.31	10-Apr-18	0.06	49.32	23-Jan-18	37.7

**Comparison of ICICI Prudential Long Term Equity Fund (Tax Saving) and Invesco India Tax Plan**

Scheme	NAV	As On	Change From Previous	52-Week High	As On	52-Week Low
ICICI Prudential Long Term Equity (Tax Saving)-G	354.92	10-Apr-18	0.05	368.41	23-Jan-18	314.76
Invesco India Tax Plan-G	48.83	10-Apr-18	0.04	51.57	23-Jan-18	41.08

Fund	Rating	Category	Launch	Expense Ratio (%)	1-Year Return (%)	1-Year Rank
ICICI Prudential Long Term Equity Fund (Tax Saving)	**	EQ-TS	19-Aug-99	2.12	9.33	74/82
Invesco India Tax Plan	***	EQ-TS	29-Dec-06	2.26	17.78	29/82

Fund	Rating	Category	Launch	Expense Ratio (%)	1-Year Return (%)	1-Year Rank
ICICI Prudential Value Discovery Fund	****	EQ-LC	16-Aug-04	2.14	7.24	176/183
Invesco India Contra Fund	*****	EQ-MLC	11-Apr-07	2.23	21.68	10/116

Fund	Rating	1-Month Return	1-Month Rank	3-Month Return	3-Month Rank	1-Year Return
ICICI Prudential Long Term Equity Fund (Tax Saving)	**	2.43	68/84	-1.94	Dec-84	9.33
Invesco India Tax Plan	***	3.56	27/84	-2.92	23/84	17.78

**Comparison of ICICI Prudential Dynamic and Invesco India Dynamic Equity**

Scheme	NAV	As On	Change From Previous	52-Week High	As On	52-Week Low
ICICI Pru Dynamic-G	257.04	10-Apr-18	0.4	270.99	23-Jan-18	228.16
Invesco India Dynamic Equity-G	28.76	10-Apr-18	-0.07	29.43	29-Jan-18	25.06

Fund	Rating	1-Month Return	1-Month Rank	3-Month Return	3-Month Rank	1-Year Return
ICICI Prudential Dynamic Plan	***	1.29	116/122	-3.54	27/122	11.84
Invesco India Dynamic Equity Fund	****	3.05	40/196	-1	23/196	14.4

Fund	Rating	Category	Launch	Expense Ratio (%)	1-Year Return (%)	1-Year Rank
ICICI Prudential Dynamic Plan	***	EQ-MLC	31-Oct-02	2.28	11.84	92/116
Invesco India Dynamic Equity Fund	****	EQ-LC	4-Oct-07	2.11	14.4	70/183

**Conclusion**

The above analysis clearly indicates that wide fluctuation in market effects different mutual funds in different ways and therefore a concrete analysis about future return can not be made. However the correlation of the potential risk and the potential returns constantly put forth the opportunities to invest in mutual funds and drive maximum potential returns with minimum underlying risk.

Mutual funds usually consist of stocks, bonds, money-market funds and other securities or assets. The combined holdings in financial portfolio provide an investor with diversified strategies, so that an investor must have a wide range of investments to lower the investment risk. An investor can't analyze fund performance as they do with an individual



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stock, because mutual funds hold a variety of investments and price changes typically become available after the stock exchange closes. Investing in mutual funds has an inherent risk assumed upon the ownership. However, performance of the mutual funds can be quantified with the mathematical calculation of the historical returns. Moreover mutual fund investors are not fully aware but the government must take some steps to educate them so that mutual fund market can be on the way of progress.

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