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An Integrated Analysis of Characteristics-Based Performance of UTI-Equity Mutual Fund: In an Indian Context

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Abstract:

The mutual fund sector in India has seen substantial growth, providing a diverse array of investment options to a broad spectrum of investors. The Unit Trust of India (UTI), founded in 1964 with backing from the Reserve Bank of India and the Indian government, is one of the industry pioneers. The purpose of this study is to examine the performance of the UTI equities Fund-Direct Growth plan, which is designed for investors who are prepared to take on moderate to high risk in the hopes of achieving higher returns through equities investment. Using secondary data gathered from reliable sources including the RBI bulletins, Moneycontrol, and the UTI Mutual Fund website, the study takes an exploratory approach. The fund's stability, volatility, risk-adjusted returns, and investing strategy were evaluated using performance metrics such as standard deviation, beta, Sharpe ratio, and portfolio turnover ratio. Furthermore, the fund's return trends and sectors allocation were examined and contrasted with benchmark indices such as the Nifty 500. The results show that throughout a range of time periods, the UTI Equity Fund – Direct Growth continuously beat both its benchmark and category norms. A well-managed equities portfolio with strategic allocation across large-cap and mid-cap sectors was exhibited by the fund, which has a CRISIL rating of five stars and a return of 126.76% since its launch. The risk parameters showed a tolerable standard deviation (17.24%) and a smaller beta (0.87), indicating comparatively stable results for an equity fund. According to the study's findings, investors with a moderate tolerance for risk who are looking to increase their capital can consider the UTI Equity Fund-Direct Growth. It urges investors to think about actively managed equity schemes for long-term wealth accumulation and emphasizes the value of characteristic-based analysis in assessing mutual fund performance.

Keywords: AMC, Mutual Fund, portfolio, Equity Funds.

Introduction of Study:

In recent years diversified investment avenues has took place and hence market changes by different investment opportunities together with Asset Management Companies (AMC). AMC also well know as Mutual fund industry in India is rapidly growing with broad based investors. Mutual fund in India also becomes one of the major players in stock and bond market. Individuals are lack expertise in fundamental and technical analysis in selecting the company. Mutual fund provides such intermediation between investors and capital needed companies. They are professionals who engaged with changing position in market and grasp better investment opportunities with the objectives of stable income and

capital appreciation. Mutual funds agencies accumulates small investment and invest it in risk diversified assets. Mutual funds in the selection of portfolio, prefers equity based investment rather than bonds mainly because of gaining high returns as compare to bonds.
UTI is first AMC started its business in 1964 backed by Reserve Bank of India and Government of India. An UTI mutual fund offers a range of schemes. But, researcher has selected equity based mutual funds for those investors who are risk takers for maximum return as compare bonds and Bank's FDs return. The study mainly undergoes detailed analyze the characteristic based performance of UTI equity mutual fund to make recommendation to the investors. According to Robert Arnott, "In Investing, what is comfortable is rarely profitable." Hence, the investors should come out form its limited returned investments avenues and go with actively managed mutual fund by way of raising maximum returns in coming years.

Objectives of Study:
1. To study the brief context of Mutual Funds and UTI Mutual Funds in India.
2. To identify and appraise the characteristics-based performance of renowned UTI Mutual Fund.
3. To recommend the investors with reference to the best UTI Mutual Fund Scheme with its rationale to invest.

Research Methodology:
The study is exploratory in nature aimed to analyze the characteristic based performance of UTI Equity Fund Direct Growth. Data is collected from secondary sources Such as website, published articles, report of mutual funds and, bulletin of RBI, newspapers etc. Data gathered from UTI mutual fund website is upto 30 June, 2020. Collected data has analyzed based on risk and return measurements such as Standard Deviation, Sharpe's Ratio, Portfolio turnover ratio, Beta, return at different time period, chart of comparison UTI Equity Fund Direct Growth and Nifty 500 etc.

Review of Literature:
Daniel, K. Grinblatt M., Titman S., & Wermers S. (1997) has studies Characteristic-Based Benchmark evaluation of mutual funds performance. By using some important techniques managers can manages to pick up the well return funds. The outcome shown that, the growth of funds based on 'selecting right fund' rather than 'time span of fund'.[1] **Noulas., John & John. (2005)** has summarized bad performance of Greek equity funds during 1997-2000. 23 equity funds have taken to study the comparative performance. Mutual funds were ranked by using Sharpe's, Treynor's and Jenson's model with which it has seen good returns in first three years but from fourth year it has seen declined return. It was recommended to acquire knowledge of trend analysis and for the benefits of long term investment in Mutual Funds.[2] **Dr. V, Chitra., & Dr. T, Hemalatha. (2017)** Studied Risk and return analysis of performance of Mutual Fund Schemes during 2007-16. Based on analysis of performance considering risk and return the study suggested the UTI dividend Mutual fund is better for the investors who expects regular income yield from their investment.[3] **Pandow, B. A., & Butt, K. A. (2017)** focused on study of mutual fund's performance based risk and return analysis. According to the researcher UTI mutual fund recorded significant growth but fails to utilize fully prospective. The paper remarked the difficulties as lack of product diversification & lack of awareness among investors which was needed to sort the by acquiring the in-depth knowledge of market volatility.[4] **Dash, M. K., & Dr. Lall, G. S. (2018)** the study

was undertaken to assess the performance of equity based mutual funds in India. The study undergoes with the performance of underlying portfolio that influenced decision of investment of fund manager and ultimately investors. Sharpe's and Treynor's ratios has been used to analysis the performance of funds, Beta has been used to observe the sensitivity in market variation & Standard deviation has used to demonstrate the volatility in selected portfolio of each mutual fund.[5] **Dr. Dhandayuthapani, S. P., & S, Arunpratheep. (2018)** it has been designed to study performance of HDFC's mutual funds schemes. Sharpe's, Treynor's and Jenson's have used to track performance of these mutual fund schemes. Finally, comparison made among top 10 open ended mutual fund schemes. The effect of these models were helpful to investors in investment decision those are very useful to forecast better return with lower risk.[6] **Dr. Kalyan, N. B., & Dr. Gautami, S. (2018)** the paper has drawn attention to risk and return of selected mutual fund schemes in India. SBI Magnum Contra Fund's performance has been compared with Tata Contra Fund, Kotak Contra Fund, UTI Contra Fund, & L&T Contra Fund. Finally it was suggested the investors who are risk taker can go with Tata Contra Fund because of its high risk-high return character and risk averages investors could go with SBI Contra Fund.[7]

Mutual Fund in India:

Mutual fund industry started in 1964 in India with the establishment of Unit Trust of India by the support of Reserve Bank of India (RBI) and Government of India (GOI). Mutual Funds are the funds composed of various investors and invested in a company's stock, shares and bonds. Mutual funds are commonly managed by a professional fund manager to receive a good return. All forms of mutual funds mandatorily registered with Securities Exchange and Board of India (SEBI) and therefore this is one kind of safe investment. Mutual funds, which are also called Asset Management Company (AMC), serve as an intermediary connecting small investors who have surplus money and companies require money for their operations. According to fincash survey, there were 44 AMC operating in India under banking, institution and private sector to carry the business of mutual funds in India.

Objectives of Mutual Fund:

- To mobilize the saving from public,
- To invest them to earn a good return,
- To achieve long-term capital appreciation,
- To assist the country in the formation of capital,
- To provide investment proficiency for the benefit of investors.

Growth of Mutual Fund in India:

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India and the history of mutual funds in India divided into four distinctive stages:

First Stage - 1964-1987: UTI was established in 1963 & launched its first scheme in 1964 and in 1978 it was delinked from RBI. At end of 1988 it had AUM Rs.6,700 Cr.

Second Stage - 1987-199 (Entry of Public Sector Funds): Public Sector Banks, Insurance companies and SBI started its mutual fund in 1987. LIC started its mutual fund in 1989. At the end of 1993 the AUM was Rs.47,004 Cr.

Third Stage - 1993-2003 (Entry of Private Sector Funds): Registration of Mutual Fund becomes mandatory during this phase. Mutual Fund industry came under SEBI Regulations since 1996. In 2003,

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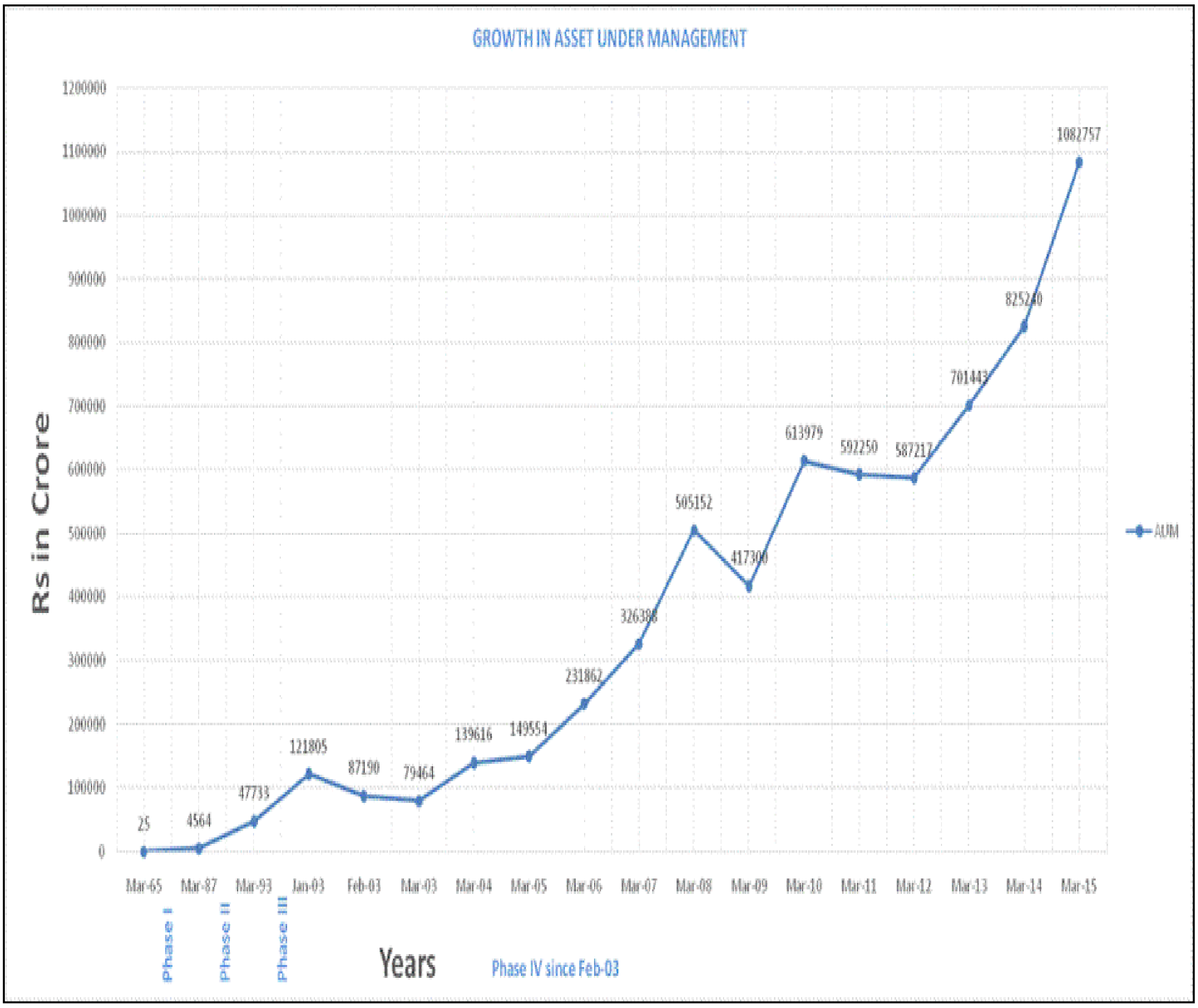
Total AUM was Rs. 1,21,805 Cr.

Fourth Stage - since February 2003: UTI is classified into two categories: one is Specified Undertaking of the Unit Trust of India and the second is the UTI Mutual Fund, sponsored by SBI, PNB, BOB and LIC.

Chart 1: Growth of Mutual Fund over the Year



(Source: https://www.amfiindia.com/research-information/mf-history)

Unit Trust of India:

Unit Trust of India is a Statutory Public Sector investment institution formed in February, 1964 Unit Trust of India Act, 1963 and started its operations from July, 1964. It offers the small investor to invest in risk diversification area accompanies the tax-exemption schemes.

The key objectives of Unit Trust of India:

1. To promote and create the pool of saving and investment of petite investors.
2. To mobilize the saving of investors and channelize it into productive areas.
3. To share the profits industrial development among investors.

UTI Mutual Fund as Asset Management Company:

UTI AMC is seventh largest asset management company in India in terms of total value dated

September 30, 2019 reported by CRISIL. Under SEBI regulations, State Bank of India (SBI), Life Insurance Corporation of India (LIC), Punjab National Bank (PNB) and Bank of Baroda (BOB) are sponsors of UTI mutual funds. UTI offers the schemes through 163 financial centres, 273 Business Development Associates and 48 Chief Agents.

Rationale of Selecting UTI Mutual Fund an AMC:

1. UTI is founder institution of Mutual Fund Scheme in India.
2. It is Statutory Institution of Investment formed by RBI and GOI.
3. The third and important reason of selection is, UTI Mutual Fund under Asset Management Company, some funds have never given negative returns since inception.

Rationale of Selecting UTI Equity Fund

The funds invested into company's stocks are called as equity funds. Equity funds are contrast of bonds. Equity funds gives maximum return compared to bonds. But it carries risk than bonds. Unlike bonds return, equity's return varies according to market fluctuation. The most of investors are found to be risk a taker for maximum return. Hence they prefer their investment in equities rather than bonds is the one reason of selecting equity fund to study its performance. Direct and Growth equity funds are selected because of its less expense ratio as compare to regular growth funds. More to the point, the reason behind selecting UTI Equity Mutual Fund is given in below table.

Table 1: Top Equity linked UTI Mutual Fund with Direct plan and Growth Option:

SR. No.	Fund Name	Launched Date	Crisil Rate	Return Since Inception	Risk
1	UTI Equity Fund Direct Growth	31-Dec-12	5	97.65%	Moderately High
2	UTI Infrastructure Fund Direct Growth	01-Jan-13	4	35.03%	Moderately High
3	UTI MNC Fund Direct Growth	31-Dec-12	3	147.13%	High
4	UTI Nifty Index Fund Direct Growth	31-Dec-12	3	58.93%	High
5	UTI Mid Cap Fund Direct Growth	31-Dec-12	2	136.79%	Moderately High

(Source: Data collected till 30th June, 2024 and compiled by researcher from various sources as- www.utimf.com, www.moneyconrtol.com and
https://www.valueresearchonline.com/my-investments)

The above tabulated data indicates that, UTI Equity Fund Direct Growth is best fund amongst remained UTI fund UTI Infrastructure Fund Direct Growth, UTI MNC Fund Direct Growth, UTI Nifty Index Fund Direct Growth and UTI Mid Cap Fund Direct Growth because of its good rate by CRISIL (i.e. 5* which is consider better), better return 97.65% with moderate risk as compared to other funds. So, the study undertakes to analyze the performance with risk and return based characteristics of UTI Mutual Fund Direct Growth in detail.

UTI Equity Fund Direct Growth

This Scheme principally aspired to secure the unit-holders capital growth by investing the funds in equity shares of companies with good growth scenario.

Fund House:	UTI Mutual Fund
Launched date:	02nd January, 2013.
Type:	Open Ended Fund
Fund manager:	Ajay Tyagi
Benchmark:	Nifty 500

(Source: www.utimf.com)

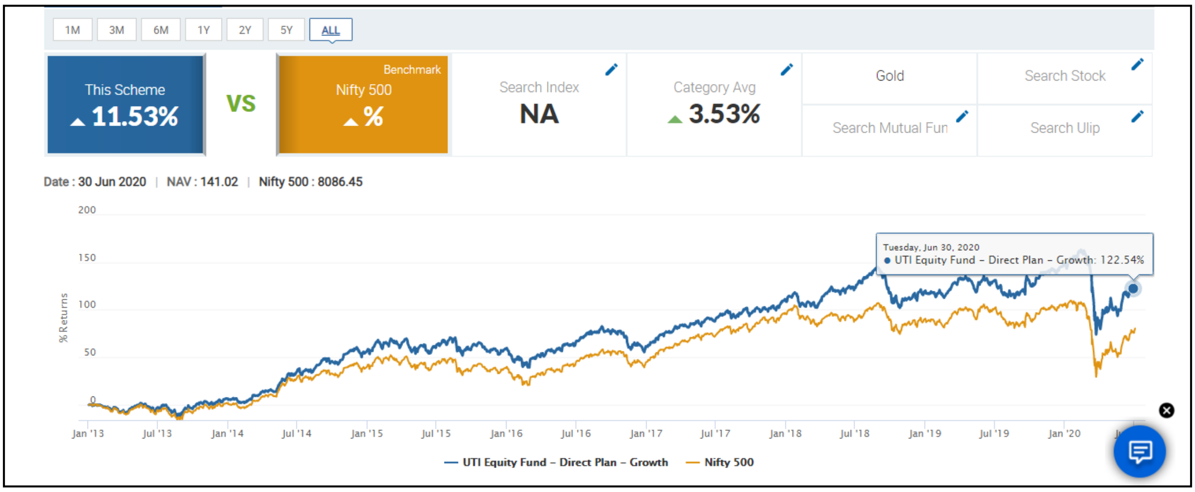
As its equity linked mutual fund, UTI Equity Fund Direct Growth invests into 97% of its investment into stocks and only 3% in average invests in other funds.

Let's see the characteristic based performance of UTI Mutual Fund Direct Growth.

Analysis of performance of UTI Equity Fund Direct Growth:

The chart below of UTI Equity Fund Direct Growth shows the performance of the fund since it commenced.

Chart 2: Performance of UTI Equity Fund Direct Growth



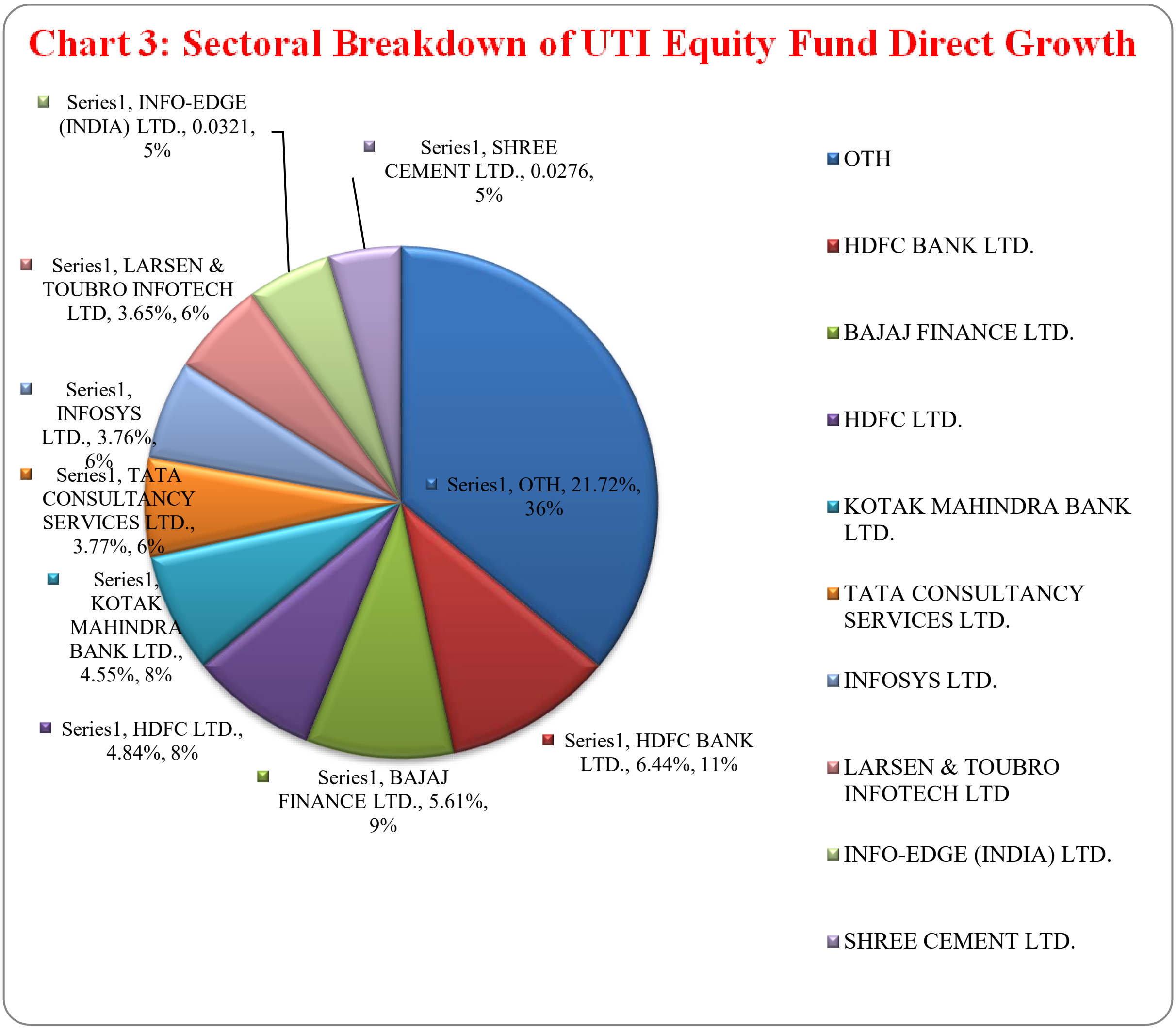
(Source: https://www.moneycontrol.com/mutual-funds/nav/uti-equity-fund-direct-plan/MUT651)

Since launched, UTI Equity Fund Direct Growth has shown positive growth till 30th June, 2020. In comparison of this fund with Nifty 500, UTI Equity Fund Direct Growth is all time above of the Nifty 500. This indicates that, the return on investment in UTI Equity Fund Direct Growth is more than return on Nifty 500. Here fund manager are actively allocating the funds into those stocks which gives better return than its benchmarks. Next stride is to be familiar with allocation of UTI Mutual Fund Direct Growth.

Fund Investment	
Equity Holding	97.22%

other Holding	2.78%
Total	**100.00%**
No of Stocks	59
Large Cap Investments	48.34%
Mid Cap Investments :	31.32%
Small Cap Investments :	9.86%
Other	7.7%

Sectoral Breakdown of UTI Equity Fund Direct Growth



(Source: Data collected form www.utimf.com and Compiled by researcher)

In sectoral allocation the fund manager allocates its 36% of fund into other sector which followed by HDFC Bank Ltd., Bajaj Finance Ltd., Kotak Mahindra., HDFC Ltd. etc. which are top performing banks in India. Followed by it has invested 8% in Consumer Goods which includes Astral Poly Technik Ltd., Avenue Supermarts Ltd., Nestle India Ltd., Jubilant Foodworks Ltd. and so on. Subsequently, 6% invested into top performing IT industry consists Tata Consultancy and Larsen & Toubro InfoTech Ltd. Recently. And the last Shree Cement Ltd 5% has been allocated.

Measurement of Risk and Return of UTI Equity Fund (Direct Growth)
Risk Parameters and it's Measurements:

Quantitative Indicator to Measure Risk	Ratio	Outcomes
Standard Deviation (Annual)	17.24%	Standard Deviation indicates the stability in return on investment. In this fund S.D is 17.24% which is less than category's return on investment i.e. 19.05%. Hence the outcome is UTI equity fund gives stable return with less risk as compare to category return.
Portfolio Turnover Ratio (Annual)	16	Portfolio Turnover Ratio means changes in funds holding within year. Less turnover ratio indicates well for similar returns. Generally, 20-30 turnover ratios is considered as lower in Mutual Fund. In UTI Equity fund with direct & growth, Portfolio Turnover Ratio 15 is good because of each changes considers expense ratio hence this find's turnover ratio is good for investment.
Beta	0.87	When Beta is >1 then it is considered as volatile and risky. This Fund's Beta is 0.87 indicates less volatile and less risky fund. So, with lower Beta value investor with conservative about risk can invest into this fund
Sharpe Ratio	-0.01	Sharpe Ratio indicates how much risk taken to generate the return. Higher ratio indicates good return with adjusted risk. -0.01 indicates to generate lower return under UTI equity fund (Direct & Growth), lower risk is adjusted to generate the return

(Source: Outcomes are drawn by researcher from the ratio gathered form www.utimf.com till date 30th June, 2024)

Return on investment in UTI Equity Fund (Direct Growth)

Period Invested for	Absolute Returns	Category Avg.
1 Week	1.05%	1.09%
1 Month	4.16%	5.21%
3 Month	26.00%	24.70%
6 Month	-8.53%	-11.32%
YTD	-8.36%	-10.71%
1 Year	-1.93%	-8.01%
2 Year	0.84%	-2.06%
3 Year	18.25%	1.70%
5 Year	38.45%	5.61%
Since Inception (2013)	126.76%	3.53%

(https://www.moneycontrol.com/mutual-funds/nav/uti-equity-fund-direct-plan/returns/MUT651)

As compared with return of category, UTI Equity Fund direct growth has given maximum returns indicates that fund manager Mr. Ajay Tyagi with his expertise is managing its fund appropriately which beats the return of its benchmark and category both.

Conclusion:

This study assessed the UTI Equity Fund-Direct Growth's performance based on its features, highlighting its potential as a good choice for investors who are willing to take on risk and are looking for long-term capital growth. The fund consistently outperformed its benchmark, the Nifty 500, and category averages according to key performance metrics like standard deviation, beta, Sharpe ratio, and turnover ratio. The fund's allocation, which includes a thoughtful blend of large-cap and mid-cap equity holdings, is indicative of good fund management techniques. The fund's long-term results, particularly since its founding, show high growth potential and efficient portfolio management despite short-term volatility. According to the analysis, the UTI Equity Fund-Direct Growth presents a moderately risky, high-return investment option that is comparatively steady.

It emphasizes even more how crucial it is to use characteristics-based evaluation when directing mutual fund investments. This fund could be a good addition to a diversified portfolio for investors seeking returns that are better than those of standard savings options.

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