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# Comparative analysis of multi-cap category mutual funds of different asset management companies.

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**Abstract**

*A mutual fund is an investment option that pools the surplus of a number of investors which is invested in a securities are professionally overseen for the benefit of the unit-holders. Multi-cap mutual funds are invest in different securities which can put resources into stocks crosswise over market capitalization. These fund portfolio securities put resources into stocks (portfolio includes substantial large, midcap and small cap stocks) crosswise over market capitalization. This research of multi cap mutual fund gives strategic examination of four Multi-cap mutual funds in India over a time of five years which pulls in various types of mutual funds to put resources into different securities over different capitalisation. Multi-cap funds can possibly offer unrivalled returns than expansive top, however offer lesser returns when contrasted with mid and small cap mutual funds. The study gives a similar examination which enables the speculator in discovering best Multi-cap to large mutual funds plan to contribute. Multi-cap funds is prudent to check the reserve director's past record and long haul execution of the reserve before contributing in view of parameters like three-year and five-year normal annualized returns, unpredictability and portfolio fixation. Methodologies can limit the hazard which related with multi cap funds instability in capital market. This research study will useful for financial specialists who willing to put surplus into Multi-cap mutual fund.*

*(Keywords: Mutual fund, market capitalization, Multi-cap Mutual fund, Portfolio, Investor) .*

**Introduction:**

A Mutual fund is financial instrument that pools the money of various investors who share a typical finance related future objective. The fund along these instrument is put resources into capital market instruments, for example equity shares, debentures and different securities. The returns earned through mutual fund is shared by its unit holders in extent to the quantity of units claimed by them. Multi-cap mutual funds are expanded mutual funds which can put funds into stocks crosswise over market capitalization. As such, they are market capitalization free mover. These assets put resources into stocks crosswise over market capitalization. That is, their portfolio involves large, midcap and small top stocks. They are moderately less dangerous contrasted with an unadulterated mid top or a little top store and are appropriate for not really forceful financial specialists. A customer's concept of risk is generally restricted to worries about market opportunities. Subsequently, there are a wide range of sorts of systematic as well as unsystematic risk. There are four risk measures, and each measure gives an interesting method to survey the risk present in ventures that are under thought. The four measures consists the alpha, beta, R-squared and standard deviation. Using these risk measures we are going to compare different sample mutual funds.

**Literature Review:**

**(I) Daniel B. Bergstresser , John Chalmers and Peter Tufano**

(Assessing the Costs and Benefits of Brokers in the Mutual Fund Industry (October 1, 2007). AFA 2006 Boston Meetings; HBS Finance Working Paper No. 616981)

Numerous investors buy Mutual funds through intermediated channels, paying brokers or financial advisors for fund determination and counsel. This paper endeavors to measure the advantages that investors appreciate in return for the expenses of these administrations. With respect to coordinate sold funds, specialist sold funds convey bring down hazard balanced returns, even before subtracting appropriation costs. These outcomes hold crosswise over fund destinations, except for outside equity funds.

**(II) Dirk Nietzsche, Keith Cuthbert son and Niall O'Sullivan**

(Mutual Fund Performance (2006) Available at SSRN: http://ssrn.com/abstract=955807)

It assess the scholastic research on mutual fund execution in the US and UK focusing especially on the writing distributed in the course of the most recent 20 years where development and information progresses have been generally stamped. The proof recommends that ex-post, there are around 2-5% of best performing UK and US value mutual funds which truly beat their benchmarks while around 20-40% of funds have truly poor. Key drivers of relative execution are, stack charges, costs and turnover. There is little proof of effective market timing.

**Objectives**

1. To study of Multi-cap Investment schemes and their advantages over period of time.
2. To Analysis and Comparing of Multi-cap funds using analysis tools.

**Research Methodology Data**

**Statement of Problem**

Due to ample of Multi cap mutual fund options available in the market, the investors are baffled. To fetch best mutual fund amongst available options considering risk measuring tools which could help investors to approach for appropriate option.

**Tools used in analysis:**

- Alpha
- Beta
- r-squared
- standard deviation

**Type of research:**

Research is conducted since different risk measuring tools and ratios of data on different multicap mutual funds. The objective of quantitative research is to develop an employ mathematical models theories and hypothesis pertaining to phenomena. Thus the type of data is quantitative data. Hence, the type of research is a quantitative research.

**Population elements and element size**

The research data is limited to Multicap category mutual funds therefore Population is limited to different multicap mutual funds and element size is restricted to one because it is limited to multi cap mutual funds.

**Type of data**

Data collected for research is secondary data.

**Data Collection**

Data are collected through secondarysources

1. AMFI
2. Morningstar

**Period of study**

The present study has considered Five years viz. 2013-2014 to 2017-2018.

**Sample Size**

Sample size is taken for research is four Multi-cap Mutual funds.

**Sampling Technique**

In thus research, a technique of RANDOM SAMPLING is considered where criteria of taking only those samples which are currently having highest AUM in multi cap mutual funds.

**Sample**

1. ICICI Prudential Multicap Fund
2. Kotak Standard Multicap Fund
3. L&T Equity Fund
4. SBI Focused Equity Fund

**Data analysis, Hypothesis Testing and interpretation**

### 1) ICICI Prudential Multicap Fund

| | |
|---|---|
| Fund Company | ICICI Prudential Asset Management Company Limited<br>Website www.icicipruamc.com |
| Manager Name | Atul Patel |
| Inception Date | 01/01/2013 |
| Manager Start Date | 03/08/2016 |
| NAV | INR 318.57 |
| Total Net Assets (mil) | 28,877.37 INR |

Operations of ICICI Prudential Multicap Fund Source:Morningstar(2018)

Category: Multi-Cap
Fund Benchmark:S&P BSE 500 India

| Risk Measures | | | |
|---|---|---|---|
| 3Y Alpha | 1.49 | 3Y Sharpe Ratio | 0.70 |
| 3Y Beta | 0.85 | 3Y Std Dev | 13.20 |
| 3Y R-Squared | 84.48 | 3Y Risk | bel avg |
| 3Y Info Ratio | 0.05 | 5Y Risk | bel avg |
| 3Y Tracking Error | 5.65 | 10Y Risk | - |

Calculations use S&P BSE 500 India TR INR (where applicable)

Risk Measures of ICICI Prudential Multicap Fund Source:Morningstar(2018)

This funds having the above risk measures. The ratio analysis is as follows:

Ratio Analysis and Interpretation

1) Alpha: The alpha of the fund is 1.49. This means that fund has given 1.49% more return than index. Since expense ratio is 1.68% of the whole return still we are getting better returns than benchmark index.
2) Beta: The beta of the fund is 0.85. This indicates that the fund is almost equally volatile to the overall market. This is a good indication as the fund is showing equal volatility

which means the movement in returns weather positive or negative, will be similar to overall market.

3) R-squared: The benchmark index is a good indicator of movement in fund. This is beacause the R-squared of the fund is 84.48. This shows that the fund and the benchmark index are highly correlated and therefore, this fund might be consider while investing in any portfolio.
4) Standard deviation: SD of the fund is 13.20. where as SD of benchmark index is 21.7, therefore fund is giving us better return with less volatility in comparision to benchmark index.

**2) Kotak Standard Multicap Fund**

| | |
|---|---|
| Fund Company | Kotak Mahindra Asset Management Co Ltd<br>Website assetmanagement.kotak.com |
| Manager Name | Harsha Upadhyaya |
| Inception Date | 01/01/2013 |
| Manager Start Date | 04/08/2012 |
| NAV | INR 37.68 |
| Total Net Assets (mil) | 212,711.47 INR |

Operations of Kotak Standard Multicap Fund Source:Morningstar(2018)

Category: Multi-Cap
Fund Benchmark:S&P BSE 500 India

| Risk Measures | | | |
|---|---|---|---|
| 3Y Alpha | 2.35 | 3Y Sharpe Ratio | 0.79 |
| 3Y Beta | 0.94 | 3Y Std Dev | 13.71 |
| 3Y R-Squared | 96.04 | 3Y Risk | bel avg |
| 3Y Info Ratio | 0.73 | 5Y Risk | Avg |
| 3Y Tracking Error | 2.87 | 10Y Risk | - |

Calculations use S&P BSE 500 India TR INR (where applicable)

Risk Measures of Kotak Standard Multicap Fund Source:Morningstar(2018)

This funds having the above risk measures. The ratio analysis is as follows:

Ratio Analysis and Interpretation

1) Alpha: The alpha of the fund is 2.35. This means that fund has given 2.35% more return than index. Since expense ratio is 1.68% of the whole return still we are getting better returns than benchmark index.
2) Beta: The beta of the fund is 0.94. This indicates that the fund is almost equally volatile to the overall market. This is a good indication as the fund is showing equal volatility which means the movement in returns weather positive or negative, will be similar to overall market.
3) R-squared: The benchmark index is a good indicator of movement in fund. This is beacause the R-squared of the fund is 96.04. This shows that the fund and the benchmark index are highly correlated and therefore, this fund might be consider while investing in any portfolio.
4) Standard deviation: SD of the fund is 13.71. where as SD of benchmark index is 21.7, therefore fund is giving us better return with less volatility in comparison to benchmark index.

**3) L&T Equity Fund Growth**

| | |
|---|---|
| Fund Company | L&T Investment Management Ltd<br>Website www.lntmf.com |
| Manager Name | S.N. Lahiri |
| Inception Date | 16/05/2005 |
| Manager Start Date | 24/11/2012 |
| NAV | INR 85.46 |
| Total Net Assets (mil) | 27,981.14 INR |

Operations of L&T Equity Fund Growth Source:Morningstar(2018)

Category: Multi-Cap
Fund Benchmark:S&P BSE 500 India

| **Risk Measures** | | | |
|---|---|---|---|
| 3Y Alpha | -2.05 | 3Y Sharpe Ratio | 0.48 |
| 3Y Beta | 0.98 | 3Y Std Dev | 14.23 |
| 3Y R-Squared | 96.19 | 3Y Risk | Avg |
| 3Y Info Ratio | -0.89 | 5Y Risk | bel avg |
| 3Y Tracking Error | 2.81 | 10Y Risk | bel avg |

Calculations use S&P BSE 500 India TR INR (where applicable)

Risk Measures of L&T Equity Fund Growth Source:Morningstar(2018)

This funds having the above risk measures. The ratio analysis is as follows:

Ratio Analysis and Interpretation

1) Alpha: The alpha of the fund is -2.05. This means that fund has given 2.05% less return than index. Since expense ratio is 1.68% of the whole return still we are getting weak returns than benchmark index.
2) Beta: The beta of the fund is 0.98. This indicates that the fund is almost equally volatile to the overall market. This is a good indication as the fund is showing equal volatility which means the movement in returns weather positive or negative, will be similar to overall market.
3) R-squared: The benchmark index is a good indicator of movement in fund. This is beacause the R-squared of the fund is 96.19. This shows that the fund and the benchmark index are highly correlated.
4) Standard deviation: SD of the fund is 14.23. where as this fund might be consider while investing in any portfolio.SD of benchmark index is 21.7, therefore fund is giving us better return with less volatility in comparison to benchmark index.

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**4) SBI Focused Equity Fund**

| | |
|---|---|
| Fund Company | SBI Funds Management Private Limited<br>Website www.sbimf.com |
| Manager Name | R. Srinivasan |
| Inception Date | 01/01/2013 |
| Manager Start Date | 01/05/2009 |
| NAV | INR 147.71 |
| Total Net Assets (mil) | 29,642.87 INR |

Operations of SBI Focused Equity Fund Source:Morningstar(2018)

Category: Multi-Cap
Fund Benchmark:S&P BSE 500 India

| Risk Measures | | | |
|---|---|---|---|
| 3Y Alpha | 3.78 | 3Y Sharpe Ratio | 0.82 |
| 3Y Beta | 0.81 | 3Y Std Dev | 13.67 |
| 3Y R-Squared | 72.75 | 3Y Risk | - |
| 3Y Info Ratio | 0.32 | 5Y Risk | - |
| 3Y Tracking Error | 7.62 | 10Y Risk | - |

Calculations use S&P BSE 500 India TR INR (where applicable)

Risk Measures of SBI Focused Equity Fund Source:Morningstar(2018)

This funds having the above risk measures. The ratio analysis is as follows:

Ratio Analysis and Interpretation

1) Alpha: The alpha of the fund is 3.78. This means that fund has given 3.78% more return than index. Since expense ratio is 1.68% of the whole return still we are getting better returns than benchmark index.
2) Beta: The beta of the fund is 0.81. This indicates that the fund is realatively low and it is less volatile to the overall market. This is a very good indication as the fund is showing

less volatility than market which means the movement in returns weather positive or negative, will be greater to overall market.

3) R-squared: The benchmark index is a good indicator of movement in fund. This is beacause the R-squared of the fund is 72.75. This shows that the fund and the benchmark index are nearly correlated and therefore, this fund might be consider while investing in any portfolio.
4) Standard deviation: SD of the fund is 13.67. where as SD of benchmark index is 21.7, therefore fund is giving us better return with less volatility in comparison to benchmark index.

**5) Comparative Analysis of Mutual Fund**

| **Analysis Tool** | **ICICI Fund** | | **Kotak Fund** | | **L&T Fund** | | **SBI Fund** | |
|---|---|---|---|---|---|---|---|---|
| **Time Priod (2013-2017)** | 3 Yr | 5 Yr | 3 Yr | 5 Yr | 3 Yr | 5 Yr | 3 Yr | 5 Yr |
| **Alpha** | 1.49 | 1.32 | 2.35 | 4.90 | -2.05 | 1.21 | 3.78 | 5.87 |
| **Beta** | 0.85 | 0.93 | 0.94 | 0.98 | 0.98 | 0.99 | 0.81 | 0.79 |
| **R squared** | 84.48 | 92.35 | 96.04 | 93.91 | 96.19 | 95.65 | 72.75 | 69.12 |
| **Sharpe Ratio** | 0.70 | 0.94 | 0.79 | 1.28 | 0.48 | 1.03 | 0.82 | 1.24 |
| **Standard Deviation** | 13.20 (14.32) | 13.84 (14.29) | 13.71 (14.32) | 14.43 (14.29) | 14.23 (14.32) | 14.54 (14.29) | 13.66 (14.32) | 13.56 (14.29) |

Comparative analysis of Mutual Funds

This table shows the risk measuring tools data over the period of 3 and 5 years of four different Multi-cap mutual fund schemes. All the mutual funds performing outstanding in market, however, when we compare these four mutual funds with each other we get following results:

1. Comparing Sharpe ratio, R-squared and Beta, we find that all these funds are stable in comparison to benchmark index and overall market, therefore, an investor can invest in these mutual funds rather than investing in index.
2. Alpha of SBI Focused equity fund is better than other mutual funds, which means SBI focused equity fund is giving better returns than another mutual fund schemes when compared with benchmark index.
3. Returns of SBI focused equity fund is better than other mutual funds in year 2017 which 45.98%. While in 2016, overall market is low at that time only Kotak Fund is giving more than 10% return i.z. 10.75%.
4. Standard deviation of ICICI fund is lowest which means it is least volatile fund in comparative along all mutual funds.
5. Beta of SBI focused equity fund is lower asmongst all the mutual funds which means it is less volatile as compare to all the funds.
6. By analyisng all the Risk measuring tools, researcher can conclude that SBI focused equity is the best amongst the sample which having best return over the period of time with the less risk.

**Observations and Findings**

1. Multi-Cap mutual funds are provided much better return in comparison to other market cap mutual funds ( Large, Mid and Small Cap Mutual Fund) by adding a bit of risk factors.
2. SBI focused equity fund is safe to invest for those investors who do not want to take more risk.

3. Comparing Sharpe ratio, R-squared and Beta, we find that all these funds are stable in comparison to benchmark index and overall market, therefore, an investor can invest in these mutual funds rather than investing in index.
4. Mutual funds giving returns because of factors like Diversification, Economies of scale, Divisibility, Liquidity, Professional management etc.
5. In the long runs, Multicap funds are usually better wealth creators than other categories as they can take advantage of investment opportunities across market caps.
6. Returns of SBI Focused Equity Fund are better than other mutual funds in year 2018. While in year 2017, ICICI Prudential focused equity was having highest return among the sample mutual funds.
7. Standard deviation of SBI Focused Equity Fund is lowest which means it is the least volatile fund in comparision to others.
8. There are limitations for the project like it is limited to Multi-cap mutual fund category and its limited

**Conclusion**

1. Mutual funds giving returns because of factors like Diversification, Economies of scale, Divisibility, Liquidity, Professional management etc.
2. In the long runs, Multi-cap funds are usually better wealth creators than other categories as they can take advantage of investment opportunities across market caps.
3. Comparing Sharpe ratio, R-squared and Beta, we find that all these funds are stable in comparison to benchmark index and overall market, therefore, an investor can invest in these mutual funds rather than investing in index.
4. Multi-cap mutual funds for those who want high returns but at moderate association of risk.

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