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## **A Study on Select Equity Funds at SBI Mutual Funds**

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### **ABSTRACT**

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. Mutual Funds in recent past has gained immense importance in general and in India in particular. Mutual fund companies are designing new schemes to attract the customers. The present paper is an attempt to know about Mutual Fund, it's various schemes and analyze the different risk factors involved. It also focuses on the performance evaluation of selected SBI Mutual Funds schemes which are playing a vital role in the Indian economy.

**Keywords:** Mutual funds, Unit trust of India, Reserve bank of India, Indian economy, Performance Evaluation, Return, Risk.

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### **INTRODUCTION**

“Mutual fund is a common pool of money in which investor place their contribution that are to be invested in accordance with the stated objective. The fund belongs to all the investors depending on the proportion of his contribution to the fund.”

A Mutual Fund is a trust that pools the savings of a number of investors who share 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 suitable 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.

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### **REVIEW OF LITERATURE**

A “mutual fund is non depository, non – banking financial intermediary that acts as an investment vehicle, for bringing wealth holders and deficit units together directly”.

Pierce and Jaime's .L

Mutual fund is a corporation which accepts money from investors and uses the same to buy stocks, long – term, short-term and debt instruments used by issuers.

Weston's. Fred and bringham.

A mutual fund is financial intermediary that pools the savings of investors for collective investment in a diversified portfolio of securities. A fund is “mutual” as all of its returns minus its expenses are shared by the funds investors.

“Mutual fund is a common pool of money in which investor place their contribution that is to be invested in accordance with the stated objective. The fund belongs to all the investors depending on the proportion of his contribution to the fund.”

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### **NEED FOR THE STUDY**

The Post-liberalization period has witnessed the emergence of entrance of many domestic and foreign MNCs in the field of banking, insurance and of late, no less than mutual funds, posing a threat to the Indian mutual fund industry, especially to SBI Mutual Funds – a public sector mutual fund. Moreover, most of the investors, even the small investors have started switching their investments into FMCG and IT stocks . which are said to bring quick bucks, queering at the pitch of SBI Mutual Fund business and threatening its very existence, even after the recently notified SEBI's slew of regulations with regard to ban on the mushroom growth of me-too MFs. The present study is intended to portray the prescription and proscription of different investment strategies to be adopted by SBI MFs so that it can, while providing better growth and income to investors emerge as a giant MF among all the MFs in India.

## OBJECTIVES OF THE STUDY

- To evaluate the performance of mutual funds in terms of risk & return.
- To compare and analyze the performance of SBI magnum equity fund vs other company mutual funds.
- To study the performance of SBI magnum equity fund with standard deviation and Sharpe ratio.

## RESEARCH METHODOLOGY

Research in common parlance refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation. The advance learner's dictionary of current English lays down the meaning of research as "a careful investigation or inquiry specially through search for new facts in any branch of knowledge."

Research is an academic activity and as such the term should be used in a technical sense. According to Clifford woody research companies defining and organizing and evaluating data, making deductions and researching conclusions to determine whether they fit the formulating hypothesis.

### *Methods of data collection*

While deciding about the method of collection to be used for the study, the researcher should keep in mind two types of data, viz, primary and secondary.

#### **The secondary data: -**

- Annual reports, fact sheets, reference books and newspapers.
- Journals, prospectus, Magazines, Websites relating to mutual funds.

## DATA ANALYSIS & INTERPRETATION

### **MAGNUM EQUITY FUND**

Magnum Equity Fund: High Growth companies, Good Corporate Governance and profitable ventures are the three aspects that magnum equity funds look for in the companies it chooses to invest in Backed by a commendable performance track record over the last five years. This is one fund you definitely cannot over look. This is ideal for long-term capital appreciation and for those who wish to optimize growth gains in equity markets. The scheme selectively invests a majority of its corpus in equity and equity related instruments and the balance in debt.

FUND DATE OF INCEPTION: **01-01-2001**

OPEN-ENDED EQUITY FUNDS REPORT AS ON : **31-3-2021**

### **COMPARATIVE STUDY TO KNOW PERFORMANCE**

#### **SBI MAGNUM EQUITY Vs TATA PURE EQUITY**

Annual Returns

Years	SBI Magnum Equity			TATA Pure Equity		
	Returns	Deviations	Deviations <sup>2</sup>	Returns	Deviations	Deviations <sup>2</sup>
2020-21	17.6	90.6	8208.36	17.5	126.2	15926.44
2019-20	84.1	24	580.81	74.3	69.4	4816.36
2018-19	-56.3	164.5	27060.25	-49.5	193.2	37326.24
2017-18	69.5	38.7	1497.69	59	84.7	7174.09
2016-17	-6.7	114.9	13202.01	42.4	101.3	10261.69
<b>Total</b>	<b>108.2</b>		<b>50549.21</b>	<b>143.47</b>		<b>75504.82</b>

### *Athematic Mean*

$$\begin{aligned}
 \text{Magnum Equity fund} &= \sum x_i/N \\
 &= 108.2/5 \\
 &= 21.64
 \end{aligned}$$

$$\begin{aligned} \text{TATA pure fund} &= \sum x_2 / N \\ &= 143.47 / 5 \\ &= 28.69 \end{aligned}$$

**Standard deviation**

$$\begin{aligned} \text{Magnum Equity fund} &= \sqrt{\sum (x_1 - \bar{x}_1)^2 / N} \\ &= \sqrt{504549.21 / 5} \\ &= 44.96 \end{aligned}$$

$$\begin{aligned} \text{TATA pure fund} &= \sqrt{\sum (x_2 - \bar{x}_2)^2 / N} \\ &= \sqrt{75504.82 / 5} \\ &= 54.95 \end{aligned}$$

**Sharpe Ratio**

$$\begin{aligned} S_i &= (R_i - R_f) / S_i \\ R_i &= \text{Average rate of return} \\ R_f &= \text{Risk free rate of return} = 7\% \\ S_i &= \text{Standard deviation} \end{aligned}$$

$$\begin{aligned} \text{Magnum Equity} &= S_i = 21.64 - 7 / 44.96 \\ &= 0.32 \end{aligned}$$

$$\begin{aligned} \text{TATA pure fund} &= S_i = 28.69 - 7 / 54.95 \\ &= 0.39 \end{aligned}$$

**SBI Mutual Fund Vs LIC Mutual Fund**

Annual Returns

Years	SBI Magnum Equity	LIC Pure Equity	Deviations <sup>2</sup>	Returns	Deviations	Deviations <sup>2</sup>
	Returns	Deviations				
2020-21	17.6	90.6	8208.36	28.5	83.5	6972.25
2019-20	84.1	24.0	580.81	60.7	51.3	2831.69
2018-19	-56.3	164.5	27060.25	-57.4	169.4	28696.36
2017-18	69.5	38.7	1497.69	65.4	46.8	2180.88
2016-17	-6.7	114.9	13202.01	14.8	97.2	9447.84
<b>Total</b>	<b>108.2</b>		<b>50549.21</b>	<b>112.0</b>		<b>50129.02</b>

**Arithmetic mean**

$$\begin{aligned} \text{Magnum Equity fund} &= \sum x_i / N \\ &= 108.2 / 5 \\ &= 21.64 \end{aligned}$$

$$\begin{aligned} \text{LIC Pure Equity} &= \sum x^2 / N \\ &= 22.4 \end{aligned}$$

**Standard deviation**

$$\begin{aligned} \text{Magnum Equity fund} &= \sqrt{\sum (x_1 - \bar{x}_1)^2 / N} \\ &= \sqrt{50549.21 / 5} \\ &= 44.96 \end{aligned}$$

$$\begin{aligned} \text{LIC Pure Equity} &= \sqrt{\sum (x_2 - \bar{x}_2)^2 / N} \\ &= \sqrt{50129.02 / 5} \\ &= 44.778 \end{aligned}$$

**Sharpe Ratio**

$$S_i = (R_i - R_f) / S_i$$

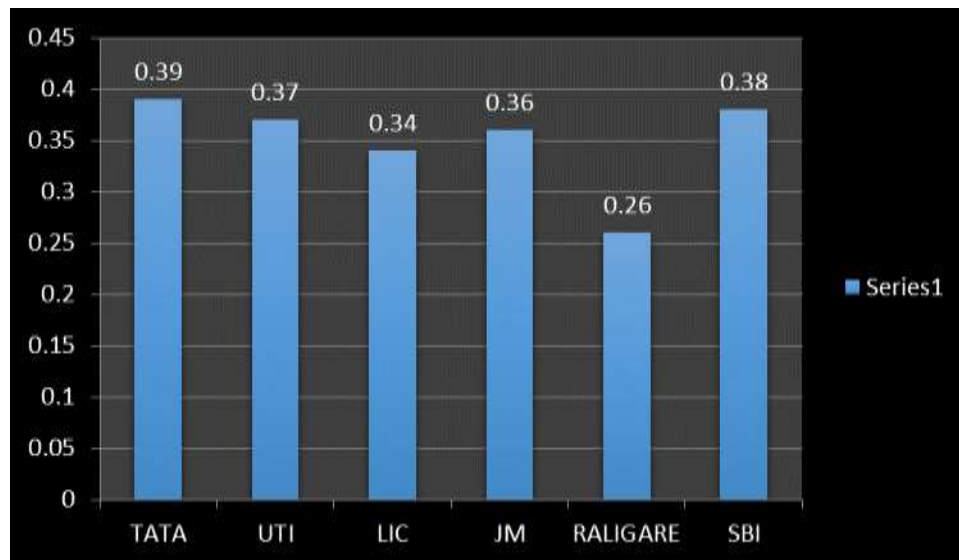
$R_i$  = Average rate of return

$R_f$  = Risk free rate of return = 7%

$S_i$  = Standard deviation

$$\begin{aligned} \text{Magnum Equity} &= S_i = 21.64 - 7 / 44.96 \\ &= 0.32 \end{aligned}$$

$$\begin{aligned} \text{LIC Pure Equity} &= S_i = 22.4 - 7 / 44.77 \\ &= 0.34 \end{aligned}$$

**PERFORMANCE OF DIFFERENT AMCs:**

From the above table, it is clearly shows that Investment in SBI Magnum equity fund performance is good when compare to other AMCs.

**FINDINGS**

- In the SBI mutual funds are managed by experienced managers.
- The holdings of stocks are put in major companies. The total stock holding is 59.9%
- By calculating arithmetic mean (return), SBI Magnum Equity Fund has moderate returns when compare to other AMCs.
- Based on standard deviation (risk) SBI Magnum Equity Fund has low Risk.
- The Sharpe ratio (Performance) of SBI Magnum Equity Fund also showing average performance than other AMC's.
- Overall, the SBI Magnum Equity fund performance is better than the other AMC's.
- SBI Mutual Fund is inferring with low risk (Standard deviation) comparing with other AMC

**SUGGESTIONS**

- ❖ The fund manager should take necessary steps to control the risk.
- ❖ The fund manager should actively participate in the investment situations to get growth returns.
- ❖ SBI mutual funds should take the essential steps to increasing the performance growth.

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## CONCLUSION

From the study it is known that most of the AMCs yield high returns but also have high risk. Usually high risk AMCs are not preferred by risk avoiders. It can be concluded that **SBI MAGNUM EQUITY FUND** is having good returns, low risk and having average performance over the period of five years.

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