COMPARATIVE ANALYSIS OF ICICI PRUDENTIAL SENSEX INDEX FUND WITH USA FIDELITY 500 INDEX FUND

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ABSTRACT

Mutual Funds today have gained a lot of popularity amongst investors and have become one of the preferred choices under the umbrella of investments but as we concentrate on Mutual Funds, for many of us it is a complicated element of investment related to returns, liquidity, position, or the standing of fund. If we look at the core of mutual funds, the money is invested or pooled by a large chunk of investors, that is what all about the basics of Mutual Funds. The qualified fund managers then professionally manage these funds. In nutshell we can conclude that Mutual Funds is a trust which collects money from a pool of investors who possess or share common objectives. This trust which is known as Mutual Funds invests the money collected from investors into a variety of securities which includes equities, bonds, money market instruments and other securities also. This study is a comparative analysis of the financial performance of ICICI Prudential Sensex Index Fund with USA Fidelity 500 Index Fund. Now-a-days many of the investors analyze the financial performance as well as the stability of the funds and this makes this element an essential one and because of the rapid increase in the investment avenues, stability, liquidity, and performance has become the greatest challenge in today's investment era.

Keywords: Mutual Fund, Investment, Financial Performance, Stability, Investment Avenues

INTRODUCTION

Mutual Funds can be regarded as an investment vehicle where in a pool of investors invests their money to generate returns on their capital over a timeframe. This corpus so collected is then managed by highly qualified and professional fund managers or we can say the portfolio managers. It is their job to cautiously invest in the securities from the corpus collected such as equities, bonds, stocks, gold, and other assets and strive to provide potential returns to the investors. The gain or the losses according to the market condition or sentiments are then shared by the investors in proportion to their contribution to the fund.

Investing in Mutual Funds

Some of the benefits of investing in mutual funds have been described below:

1. **Professional Expertise.**

The investors investing in the Mutual Funds are confident that they will be receiving a professional expertise by the qualified fund managers to earn potential returns on to their capital. This has helped the Mutual Fund industry to grow in the past few years and is considered as one of the important elements by the investors.

2. **Returns**

The biggest positive point about the Mutual Funds is that there lies a wonderful opportunity to earn higher returns as compared to the returns generated by the traditional investment methods. This happens because Mutual Funds performance is linked with the market's performance. So, considering the market position as bullish and it does exceedingly well, the impact of the performance would also be reflected in the fund value. However, a poor position of the market would reflect negative results on the fund. So, research element is an important part related to investment in the mutual funds, think before investing.

3. **Diversification**

Investing in a single asset can be risky and the condition arises that you might face loss if the market crashes. This problem can be very well avoided by investing in different classes of assets and which results in the diversification of portfolio. Diversification is also especially important in order to earn higher returns and also to mitigate the risk of loss, this can be concluded with the famous Mantra: Don't pull all your eggs into one basket.

4. **Tax Benefits**

The investors can claim a tax deduction of up to Rs. 1.5 Lakh with the help of investments into Equity Linked Savings Schemes. This tax benefit is eligible under section 80C of the Income Tax Act. The ELSS funds come with a lock-in period of 3 years.

Another benefit which is available for the investors is indexation benefit which is available on the debt funds.

If we look at the case of traditional products, the interest earned is subjected to tax. The situation is different in case of debt mutual funds, as only the returns earned over and above the inflation rate are subjected to tax.

Statement of the Problem

Investors before investing are extremely cautious and keep a bird's eye on the stability as well as the performance of the fund. The element of quality has topped the list in terms of investment in this modern scenario specially when it comes to asset allocation. Following are the key principles to look for if heading towards the bulk investment:

1. Stability
2. Liquidity and Returns

This paper attempts to analyze the stability as well as the performance of the selected Mutual Funds which are operatable in India as well as in USA.

Review of Literature

Kaur and Gupta (2012) examined the performance of open ended mutual funds, with a sample of thirty schemes, on the basis of weekly returns compared with benchmark returns. The study revealed that most of the schemes could not perform better as compared to the benchmark returns. The variability in return of schemes was found less than the market. Less than one beta value of the scheme indicated the defensive nature and less sensitivity to market forces. It was found that only twenty percent schemes performed better, were well diversified; poor in earning or better returns may be due to marketing or the selection of under-priced securities.

Bansal and Gupta (2012) evaluated the performance of twelve mutual fund schemes for a time period of 4 years (May 2005 to April 2009) and compared their performance on the basis of BSE SENSEX benchmark index and risk less return benchmark of T-bill (average yield 50% during study period). The performance was evaluated with special reference to Sharpe Model. The results showed that three out of 12 selected MF schemes were having more standard deviation than market index namely Birla Sun Life Basic Industries Fund (Dividend), Reliance Growth Fund (Growth) and Morgan Stanley Growth Fund (G) meaning thereby these schemes, were riskier than market portfolio. The lowest deviation in return was indicated by L&T liquid fund and HDFC Liquid Fund (G). Only three mutual fund schemes i.e., HDFC liquid fund, L&T liquid fund and UTI Bond Fund out of twelve showed positive value of Sharpe index while other showed negative values means inferior performance. It was concluded that most of the selected schemes were underperforming during the study period.

Mordor Intelligence (2020) in their report on US Mutual Fund Market Scenario says that, US Mutual Funds cover a wide range of asset classes, such as stocks and bonds, as well as market caps, sectors, industries and styles. The funds can be passively or actively managed to achieve short and long term returns. US Funds comprise many large companies in various industries like automobile, technology, healthcare, and the internet. Such funds give a chance to bet on companies like Apple, Amazon, Mastercard, Visa, Alphabet, Microsoft and Facebook. In the year 2018, in comparison with Asia market US-based funds have outperformed the Nifty. Franklin India Feeder-Franklin US Opportunities Fund has given a return of 18.46%, while ICICI US Bluechip Equity Fund has returned 17.11% compared to Sensex's 5.48%. For many large US firms, more than 40% of their revenues come from outside the US. In recent times, Many Mutual Funds' investments routed through the SIP or STP due to economic slowdown predictions by several AUMs for the next couple of months.

Grinblatt and Titman (1994) concluded that open-end investment company performance analysis lives typically yield similar inferences with an equivalent benchmark which inferences vary even from an equivalent measure, with completely different benchmarks. The analysis of determinants of fund performance disclosed that check using fund characteristics like web quality worth, load, expense, portfolio turnover and management fee reportable higher performance of the fund managers to earn abnormal returns.

OBJECTIVES OF THE STUDY

1. Comparative analysis of selected Mutual Fund, ICICI Prudential Sensex Index Fund with USA Fidelity 500 Index Fund and analyzing the performance of the same.
2. To Analyze the stability and the performance of the selected Mutual Funds.

RESEARCH METHODOLOGY

Research Methodology refers to the process of deciding how to design the research as well as the conduct of the same. It is also known as a framework which is built up with a combination of research methods, the tools and techniques which are undertaken by a researcher. In nutshell if we refer to research methodology, it is an arrangement of varied activities for the ultimate collection and the analysis of data in a set manner which aims to combine the relevance to the purpose with economy in procedure. The study conducted in this research is an Analytical one. This study was conducted for the period (31/10/2014 to 31/12/2020)

ICICI Prudential Sensex Index Fund with USA Fidelity 500 Index fund (Period 31/10/2014 to 31/12/2020)

	Mutual Fund	Mutual Fund
	ICICI Prudential Sensex Index Fund	USA Fidelity 500 Index fund
Average	0.015632	0.041806
Sum	18.30531	48.95427
SD	2.647049	1.363376
Variance	7.006868	1.858795
Annualized SD	9.169646	4.722874
Beta	0.076697	
Annualized Return	0.18775	0.501666
Sharpe Ratio	0.018723	0.102854
Treynor Ratio	2.269787	6.415967
Jensen Ratio	-0.00225	0.17333
R Square	0.00156	0.001521
Total Return	1.36788	13.34906
Sharpe New	-0.63074	-0.61595
G sec (T Bill 10 Years) Rate	6.02	1.563

INTERPRETATION

The table given above compares ICICI Prudential Sensex Index Fund's performance compared for the period 31/10/2014 to 31/12/2020 with USA Fidelity 500 Index fund.

The ICICI scheme's average return is below than that of US Fidelity's performance (0.015 to 0.041). Also, total return of ICICI is blow of US Fidelity's return (18.30 to 48.95). Standard Deviation of ICICI is higher as compared to US Fidelity (2.64 to 1.36) it means ICICI's returns are not stable as compared to of US Fidelity's returns. Variance of ICICI's returns is also higher than that of US Fidelity's returns (7.00 to 1.85. Annualized

Standard Deviation is also not stable in the ICICI's scheme in contrast to of US Fidelity's annualized SD (9.16 to 4.72). Annualized returns of the ICICI's scheme are also lower as compared to the of US Fidelity's annualized returns (18% to 50%).

The Sharpe's count for the ICICI's scheme is 0.018 which is not performing as per the peer of US Fidelity's 0.102. Treynor's metric is 2.26 in ICICI's scheme which means the investment is performing not well with regard to systematic risk as compared to of US Fidelity's 6.41. Jenson's alpha measure for ICICI's scheme is -0.00225, which indicates the fund manager could not have skills to invest in diversified way as compared to of US Fidelity's 0.17333. R^2 measure is lower than 1 inn both the schemes. It specifies fund is not allied with the market very well.

Total returns of ICICI are 1.36 as compared to 13.3 of US Fidelity's which is a good indication of earning. New Sharpe's measure is also low in ICICI's Scheme as compared to US Fidelity's returns (-0.63 to -0.61). The risk-free rate of interest is taken in India as 6.02 and in the US, it is 1.56 (T bill for 10 years period)

SCOPE OF THE STUDY

This research aims to study and is restricted to the analysis of financial performance of the selected Mutual Funds here in referred to as ICICI Prudential Sensex Index Fund with USA Fidelity 500 Index fund and their interpretation of the published financial data with the help of commonly used tools and techniques.

CONCLUSION

With the increase in investment avenues, it becomes crucial to analyze the financial performance of the funds to earn higher returns as well as mitigating the risk of loss. One more element which is of prime importance while investing in any of the Mutual Fund scheme is the stability of the selected fund to get the best returns in the future as well. This study establishes that overall, USA Fidelity 500 Index Fund found to be more stable in terms of returns and better performer as compared to ICICI Prudential Sensex Index Fund.

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