

**“Study of sector wise allocation of selected schemes of ELSS Mutual Funds”**

**Prof.Dr. Anil Arun Poman**

Assistant Professor

Zeal Edu.Soc's Zeal Inst.of Business Administration,

Computer Application & Research (ZIBACAR),

Narhe, Pune,Maharashtra,India 411041

E-Id: anil.poman@zealeducation.com

---

**Abstract**

Mutual Fund is one of the major financial instruments of the economy. Investment Policy of the schemes of the Mutual Fund determines Performance of the Mutual Fund. Mutual Fund Industry is always the main issue in the front of regulators & ultimately common investors. The risk in Mutual Fund redirects the ordinary investors from the investment in Mutual Fund. Investor's base in Mutual fund investment is day by day increasing. This research paper is attempts to study & analyses the Investment Policy of the selected ELSS schemes of the Mutual fund. Researcher has identified top 5 sector which Mutual fund schemes has invested their major corpus also find out trend of schemes Asset Under Management .

Key Work: Mutual Fund, Investment Policy of Mutual Fund.

**INTRODUCTION**

Throughout past period India has achieved significant growth after LPG strategy has adopted under the guidance of Prime Minister Shri. P.V. NarsimhaRao and the then finance minister Dr. ManMohan Singh. A government looks for new financial restructurings in the economy, high growth rate, and skilled manpower to face upcoming challenges

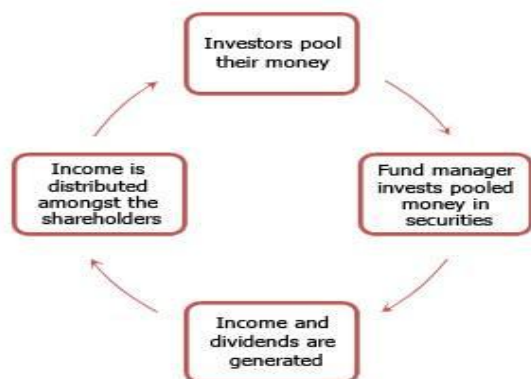
It is fact that everybody want to be secure about their future. Financial security & stability is needed by the entire individual. Peoples are constantly chasing for high income from different aspect of life. The performance of the mutual funds has been of long-standing concern to finance fraternity.

Indian Mutual Funds are playing a very vital developmental role in allocating resources in the rising market of country. Mutual funds act as a financial mediator in fund mobilization and investment. The spirit of a Mutual Fund is the diversified portfolio of investment which diversifies and reduces the risk by dispersion out the investor's money across available or diverse types of investments

## CONCEPT OF MUTUAL FUNDS

Mutual fund is like hiring driver to reach particular destination. In this situation hiring driver reduces the various risks and reaching to decided destination becomes self and easy, like mutual fund individual investor may not be expert in investment in different financial securities, so under expert fund managers view schemes get managed.

### Genesis of Mutual Fund:



### LITERATURE REVIEW:

**Harry Markowitz (1952)** The Harry Markowitz is a father of portfolio management & Nobel Prize winner in economics. His contribution mainly divides into part, prima fascia the initial part deal with the examination and knowledge and finishes with viewpoint about the potential performance of assets and succeeding phase begin with the associated beliefs about future potential performances and lastly conclusion with the visible and choice of portfolio of assets. He has suggested discount rate should be used for different securities and diversifies the investment among dissimilar securities in order to maximize the returns. He has promoted efficient frontier which is one of the highest expected return given with lowest risk. He also developed the capital asset pricing model.

**John and Donald (1974)** this study has investigated, the performance of mutual fund gets affected by schemes investment objective. He has been observed that funds which are having aggressive objectives have performed superior compared than other funds. This study investigated the schemes performance on the basic of the competency of schemes and its impact of a variety of traits on performance.

**Nikolaos Philippas (2001)** Researcher has studied the 19 Greek fund managers over six month period on the basis of Selectivity & Market Timing. Result does not support the strong market timing of fund manager. It has noted that the Total Performance Index model that reduces the ability of managers for selectivity.

**Chan L. H., Chen and Lakonishok J (2002)** Researcher has examined and found performance of mutual fund shows difference due to funds investment policy. Researcher has used Carhart's has four factor model and displayed that the alpha of growth funds had 1.2 percent greater than of value funds during the study period i.e.1976 to 1997.

**GjergjiCici (2002)** this study inspect the disposition effect related to expert and trained money managers in U.S. equity mutual funds. Researcher has used thirty years of data of 3268 mutual funds of equity category, this study also spotlights Disposition-driven actions affects investment approach, result in to lesser market beta and distinctiveness of value sloping contrarian methods.

## **RESEARCH METHODOLOGY**

**Statement of Problem:** "To study sector wise allocation of Selected ELSS Mutual Funds for the period 2009 To 2013"

### **OBJECTIVES OF THE STUDY**

The present research study has following specific objectives:

1. To study about Mutual Fund.
2. To study sector wise allocation of Selected ELSS Mutual Funds

3. To find out investment approach of selected ELSS Mutual Funds.
4. To understand changes in fund size of selected ELSS Mutual Funds.

### **SCOPE OF THE STUDY**

The Present research deal with selected 12 Asset management Companies, 12 Equity Linked Saving Schemes (ELSS) Mutual Fund schemes

**NEED OF THE STUDY:** Mutual Fund is attracting savings of large numbers of investors because opportunity to wealth crating at the same time we need to consider investors different objectives, investment time horizon, risk taking ability, liquidity situation is different, Therefore researcher has considered Equity Linked Saving Schemes (ELSS) to caters diverse need of the investors.

### **RESEARCH DESIGN**

**a) Type of Research:** Present research is Analytical and Descriptive.

**b) Sampling Method/Technique:** Purposive, Judgmental techniques have been adopted by researcher for selecting the sample unit.

**c) Sample Selection:** Sample selection has done in three steps, top 12 Asset Management Companies (AMC) have been selected on the basis of highest Asset under Management (AUM). Schemes also have been taken for the study on the basis of Data availability (Factsheets of schemes on [www.amfiindia.com](http://www.amfiindia.com)) for the selected period, No Change in Fund Managers, No Investment Restrictions imposed by AMC, No Merger and Acquisition of selected schemes during the selected period, Average Assets Under Management (more than one thousand crore) etc. These parameters are considered keeping in view of the objectives of the study, that change in some parameters directly effects on the investment policies of the schemes like change in fund manager, Investment Restrictions imposed by AMC and Merger and Acquisition etc which does not fulfill the purpose and objectivity of the study therefore this parameters become necessary for selection of sample Mutual Fund schemes.

## SOURCES OF DATA

a) **Primary Data:** The primary data has been collected from following two sources .The researcher also made an investment through Systematic Investment Plan (SIP) in individual ELSS schemes of Mutual fund schemes to observe practical implications of Mutual Funds diligently and to understand functioning of mutual fund, changing dynamics and schemes investment policy and performance etc

b) **Secondary Data:** This study also based on secondary data. Following are various data sources used for the study,

**i. Securities and Exchange Board of India (SEBI):** The Securities and Exchange Board of India (SEBI) is apex regulator for the capital market & Mutual fund in India. All AMCs primarily registered with SEBI. SEBI is key regulator of Mutual Fund under which Association of Mutual Funds in India (AMFI) functions. SEBI published every year annual report containing information of financial sectors. ii.

**ii. Association of Mutual Fund Industry in India (AMFI):** The Association of Mutual Funds in India (AMFI) is a nodal association of Mutual Fund which his devoted to Indian Mutual Fund Industry for protecting the interests and rights of unit holders. With AMFI all Asset Management Companies are registered and legally they need to follow the rules & regulation of AMFI. All AMCs mandatorily submit schemes related information through factsheets to the AMFI. Researcher has complied schemes factsheet data available on AMFI website ([www.amfiindia.com](http://www.amfiindia.com)) which is most authentic source taken for the study.

**iii. Asset Management Companies:** AMC manages their schemes through fund managers. Each Asset Management Company has to comply their schemes Page No. 78 related information in details through Factsheets of Mutual Fund schemes also AMCs need to give investment reports to investors time to time also prepares Annual Reports for the information of Investors. Schemes basis fundamental details have been accessed from individual websites of AMCs.

## DATA ANALYSIS & INTERPRETATION

This study focuses on how ELSS schemes has invested corpus in various sectors. Researcher has tried to find top 5 sectors in which schemes have highest allocation and also attempted to find schemes Investment approach as Diversified or Concentrated in sectors.

Researcher also attempted to find out trend of schemes fund weather it is decreasing or increasing. Following is brief interpretation of Selected 12 ELSS schemes.

**Birla SL Tax saving Fund** has invested in 71 industries for scheme portfolio. The scheme top 5 sector holding in various industries are Bank 19%, finance 4%, Automobile 5%, Pharmaceuticals & Drugs 7%, Cigarette/ tobacco 6%. It had average 41% holding into Top five sectors which reflect **DIVERSIFIED APPROACH** of managing portfolio and remaining 59% in other sector. The average fund size of portfolio is 1870crore. It has been observed that fund size is constantly decreased.

**DSPBR Tax Saver Fund** has invested in 80 industries for scheme portfolio. The scheme top 5 sector holding in various industries are finance 3%, Bank 17%, Automobile 4% , IT 11%,Pharmaceuticals & Drugs 9%. It had average 45% holding into Top five sectors which reflect **DIVERSIFIED APPROACH** of managing portfolio and remaining 56% in other sector. The average fund size of portfolio is 54706crore. It has been observed that fund size is constantly increased.

**Franklin India Tax Shield** has invested in 66 industries for scheme portfolio. The scheme top 5 sector holding in various industries are Bank 19%, finance 2%, Bank 19%,Automobile 4% , IT 9%,Pharmaceuticals & Drugs 8%. It had average 43% holding into Top five sectors which reflect **DIVERSIFIED APPROACH** of managing portfolio and remaining 57% in other sector. The average fund size of portfolio is 63115crore. It has been observed that fund size is constantly increased.

**IDFC Tax Saver** has invested in 50 industries for scheme portfolio. The scheme top 5 sector holding in various industries are finance 5%, Bank 19%,Engineering 4% , IT 12%,Pharmaceuticals & Drugs 7% .It had average 48% holding into Top five sectors which reflect **DIVERSIFIED APPROACH** of managing portfolio and remaining 52% in other

sector. The average fund size of portfolio is 3128crore. It has been observed that fund size is constantly decreased.

**HDFC Long Term Adv Fund** has invested in 41 industries for scheme portfolio. The scheme top 5 sector holding in various industries are finance 3%, Bank 15%,Engineering 7% , IT 12%,Refineries 4%. It had average 44% holding into Top five sectors which reflect **DIVERSIFIED APPROACH** of managing portfolio and remaining 56% in other sector. The average fund size of portfolio is 63414crore. It has been observed that fund size is constantly increased.

**Kotak Tax Saver Scheme** has invested in 75 industries for scheme portfolio. The scheme top 5 sector holding in various industries are finance 4%, Bank 19%, Automobile 4% , Refineries 7%,Pharmaceuticals & Drugs 6%. It had average 41% holding into Top five sectors which reflect **DIVERSIFIED APPROACH** of managing portfolio and remaining 59% in other sector. The average fund size of portfolio is 31874crore. It has been observed that fund size is constantly Fluctuating.

**L&T Tax Saver** has invested in 66 industries for scheme portfolio. The scheme top 5 sector holding in various industries are Bank 18% , Automobile 7%, Finance 5% ,Power Generation/Distribution 4%, IT 10%. It had average 45% holding into Top five sectors which reflect **DIVERSIFIED APPROACH** of managing portfolio and remaining 55% in other sector. The average fund size of portfolio is 1969crore. It has been observed that fund size is constantly Fluctuating.

**Reliance ELSS Fund** has invested in 48 industries for scheme portfolio. The scheme top 5 sector holding in various industries are Bank 12%, finance 2%, Automobile 5% , IT 11%,Pharmaceuticals & Drugs 21%. It had average 50% holding into Top five sectors which reflect **CONCENTRATED APPROACH** of managing portfolio and remaining 50% in other sector. The average fund size of portfolio is 7456crore. It has been observed that fund size is constantly Fluctuating.

**SBI Magnum Tax Gain** has invested in 62 industries for scheme portfolio. The scheme top 5 sector holding in various industries are Bank 19%, finance 4%, Automobile 5% , IT 8%,Pharmaceuticals & Drugs 11%. It had average 43% holding into Top five sectors which reflect **DIVERSIFIED APPROACH** of managing portfolio and remaining 57% in other

sector. The average fund size of portfolio is 2,95,086 crore. It has been observed that fund size is constantly increased.

**Birla SL Tax Relief** has invested in 54 industries for scheme portfolio. The scheme top 5 sector holding in various industries are Bank 27%, finance 7%, IT 14%, Electric equipment 8, Refineries 10%. It had average 68% holding into Top five sectors which reflect **DIVERSIFIED APPROACH** of managing portfolio and remaining 31% in other sector. The average fund size of portfolio is 1,02,764.19 crore. It has been observed that fund size is constantly increased.

### **Findings of the study**

The Total Sector wise Holding in Sample Schemes reflects that ELSS category schemes has overweight and held larger portion of the portfolio of schemes in Bank– Private ,IT-Software, Pharmaceuticals & Drugs, Bank – Public and underweight which held comparatively lesser portion of the portfolio of schemes in Engineering – Construction, Power Generation/Distribution Telecommunication-Service Provider, , Oil Exploration , Cigarettes/Tobacco, Electric Equipment, Automobile Two & Three Wheelers and Auto Ancillary etc.

It has found that Mutual Fund scheme maximum has invested in one sector not more than 23.52%.

It has found that the ELSS schemes has concentrated schemes average holdings in top 3 sectors 29.97%, Top 5 sectors 40.85%, Top 10 Sectors 56.79% and in Top 15 sectors 66.08 % holdings to developed portfolio of ELSS schemes.

In the selected period Mutual Fund schemes has invested in minimum 38 ,maximum 77 and average 55 sectors in which schemes has invested corpus and maintained holding of the portfolio.

### **Conclusion**

In the last decade we have seen large growth inside the scale of Asset Management Company business in Asian country. It is evident from the economic data that, in spite of the turbulent hazy scenario of Mutual Fund in India, its growth is undoubted. Mutual fund industry has



shown significant growth during the last decade and hence the investors are attracted towards this financial instrument due to better performance with abundant growth opportunities. Asset Management Company business and players gained uneven and ungoverned power.

## **References**

1. Harry Markowitz (1952), "Portfolio Selection", The Journal of Finance is currently published by American Finance Association" The Journal of Finance, Vol. 7, No. 1. pp. 77-91
2. John and Donald (1974) "Objectives and Performance of Mutual Funds 1960 to 1967", published in Journal of Financial and Quantitative Analysis, June 1974 , pp. 311-33.
3. Nikolaos Philippas (2001), "Market Timing and Selectivity: An Empirical Investigation into the Features of Greek Mutual Fund Managers" The Journal of Applied Business Research Volume 18, Number 3
4. Chan L. H., Chen and Lakonishok J(2002), "Mutual Fund Investment Styles", Review of Financial Studies, vol. 15, pp. 1407-1437, 2002.
5. Gjergji Cici (2002) "The Prevalence of the Disposition Effect in Mutual Funds", Trades Journal of Financial And Quantitative Analysis Vol. 47, No. 4, Aug. 2012