

Portfolio Diversification and Selectivity Performance of Fund Managers in India - A Study of Select Equity Funds

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Abstract

This article discusses the portfolio diversification of top 10 sectors of sample funds and evaluates selective abilities of Indian fund managers of select Equity large Cap and Small and Mid Cap funds. Researcher emphasized on secondary data only and selected 12 equity funds; 6 Large Caps and 6 Small and Mid Caps, selected from 6 Mutual fund houses 2 from public sector and 4 from private sector using purposive sampling. To know the degree of diversification R Square is used and to measure Selectivity performance Jensen's Alpha and Fama's Measure of decomposition was applied and found out that, during the study period 67.67% sample funds fund managers have superior stock selection ability and 33.33% were in lack of selection skills.

Keywords: R Square, Diversification, Jensen's Alpha, Fama's Measure of decomposition, Selectivity, Net selectivity, selectivity performance.

1. Introduction

The mutual funds are a diversified investment alternative, because they invest in many instruments, reducing the risk. A mutual fund is a heritage constituted by the contributions of various people, called fund shareholders, managed by a management company responsible for its management and administration (Hershey, 2010). Portfolio selection is important to make an investment (Gruber, 2010). The major problem associated with the portfolio selection is that regarding how to form a pleasing and satisfying portfolio, by taking into consideration the uncertainty included in the performance of the financial markets (Vercher, 2006). Changing investments too frequently enhances risks and reduces profitability. It also leads to added expenses related to transactions (Markowitz, 2009). Mutual funds need to provide the details of the investments in different sectors (Ellis, 1992).

2. Literature Review

Performance evaluation of mutual funds has been extensively used by Sharpe (1966), Treynor (1965), and Jensen (1968). Barua et al (1991) evaluated the performance of master share using CAPM approach from the view point of large investors and fund managers. The study concluded that the fund performed better than the market for small investors and fund management but the fund did not do well when compared to CML. Lakshmi, N.et.al, 2008, researched in depth on 7 Equity growth schemes and identified that there is poor performance of sample schemes using Sharpe, Treynor and Jensen's measures where as from the view point of Fama's net selectivity 6 sample schemes out of 7 were registered positive values indicating superior return. Phaniswara Raju B. (2008) evaluated performance of 60 mutual fund schemes of 29 mutual fund companies operating during that time and analyzed using risk adjusted performance measures and founded out that many selected schemes failed to outperform the market and there is mismatch of the risk return relationship in some schemes. Sarita B. (2012) evaluated performance of 25 equity diversified mutual funds using Jensen's and Fama's measure of net selectivity and concluded that out of 25 funds, 24 funds have positive net selectivity reflecting superior performance of the fund managers. Sodhi and Jain (2004) evaluated 26 equity schemes drawn from 26 AMCs belonging to public and private sector. They concluded that the equity mutual funds have overall inferior performance in comparison of risk and Return.

Based on the above reviewed literature, this paper utilized R Square to know the degree of diversification and to evaluate selectivity performance of the Indian Equity fund managers Jensen's Alpha and Fama's Measure of Decomposition as this paper emphasized more on selectivity performance evaluation.

3. Research Objectives

The objectives of this paper are:

1. To discuss portfolio diversification of select equity Funds.
2. To evaluate selectivity performance of select Equity fund managers in India.

4. Methodology

To conduct this research, the researcher selected six Mutual fund houses; 2 out of 4 public Sector and 32 out of 4 private sector fund houses based on popularity and from those sample undertakings 12 Equity open ended mutual funds; 6 from Equity Large Caps category and 6 from equity Small and Mid Caps category were selected out of 187 funds. All samples are growth Option schemes, selected using convenient sampling. Researcher

emphasized only on secondary data sources obtained from CRISIL, the India's first Credit Rating Agency and the others include Journals and Websites. Period of study is kept limited for 5 years i.e. 2008-09 to 2012-13 financial years. Ranks and Averages are calculated using Excel formulae. In order to know category wise and type wise selective performance of select funds ranks are assigned category wise and type wise.

5. Tools of Analysis

r^2 = First r (correlation coefficient) must be calculated.

$r = \Sigma xy / \sqrt{\Sigma x^2 \times \Sigma y^2}$; $x = (X - \bar{X})$, $y = (Y - \bar{Y})$,

r^2 = Square of r.

Jensen Alpha: $\alpha_p = R_p - R_f - \beta_p(R_m - R_f)$

Where:

R_p = Portfolio return over a period

R_f = Risk-free return over a period

β_p = Market-risk (beta coefficient)

R_m = market return

Fama's Measure of Decomposition

$R_p = R_f + \beta(R_m - R_f) + (R_m - R_f)(\sigma_p/\sigma_m - \beta) + (R_p - R_f) - (\sigma_p/\sigma_m)(R_m - R_f)$

Component 1= Risk free rate of return (R_f) (Given)

Component 2= Compensation for systematic risk $\beta(R_m - R_f)$

Component 3= Compensation for improper diversification

$(R_m - R_f)(\sigma_p/\sigma_m - \beta)$

Component 4=Net selectivity ($R_p - R_f - (\sigma_p/\sigma_m)(R_m - R_f)$)

Where,

R_p = Average return of the scheme

R_f = Risk free rate of return

R_m = Average return of the market

β = Systematic risk of the scheme

σ_p = Standard Deviation of the scheme's returns

σ_m = Standard Deviation of the market returns.

For Analysis purpose Ranks and Averages were calculated using the following EXCEL formulae.

=RANK (number, ref, [order])

=AVERAGE (number1, [number2]...)

6. Empirical Results and Discussion

6.1. Portfolio Diversification

A collection of assets is called portfolio. The fund managers try to create a portfolio that offers the greatest return for the risk they prepared to take, by buying and holding assets with different characteristics. Holding a collection of mix is called portfolio diversification.

The following paragraphs details the portfolio diversification of sample equity Large Cap and Small and Midcap funds.

6.1.1. Portfolio Diversification of Equity Large Cap funds

Large Cap Funds in India are a kind of mutual fund that looks for appreciation of capital by investing mainly in the shares of companies that are big blue chip. The big blue chip companies in which Large Cap Funds make their investments have above- average potential for growth in earnings.

Appendix Table 1 depicts the portfolio diversification of top 10 sectors for the period of 5 years. In the Portfolio of **SBI Magnum Index Fund (G)** overweightage is given to sectors like, Banks (14.42%), Refineries/Marketing (11.79%), and Computer Software (11.50%) equities. During the period of 5 years overall 69.87% of exposure was allocated to top 10 sectors in the total portfolio. The fund Manager of **UTI Master Share Unit Scheme (G)** gave over exposure to Banks (13.38%) followed by Computer Software (9.58%) and Refineries/Marketing (8.84%). During the study period the fund manager pooled 57.08% of funds of portfolio in top 10 sectors. **Kotak 50 (G)** fund invested more of its funds in the sectors like Banks (13.45%) followed by Computer Software (11.70%), and Refineries/Marketing (9.24%). The overall exposure of top 10 sectors was 62.02%. In the portfolio of **Reliance Top 200 Fund (G)** over weightage was given to Banks Equity (13.29%), Refineries/Marketing (12.01%) and Computer Software (11.55%). The top 10 sectors overall diversification stood at 64.85%. Considering **ICICI Prudential Top 100 Fund-Institutional Option-I (G)**, Fund Manager's favorite sectors were Banks (12.56%), Refineries/Marketing (11.03%) and Computer Software (9.86%). The overall exposure of top 10 sectors of this fund was 66.10%. **Franklin India Blue chip Fund (G)** the fund manager gave priority to Banks (16.35%), Telecom Services (8.87%) and Computer Software (8.86%). The overall exposure of top 10 sectors of this portfolio during the study period was 64.48%. The equity large cap

managers gave emphasis on sectors like Banks, computer software and refineries/marketing to place them in top 3 positions as those sectors were very attractive during the study period. Different sectors were selected by the portfolio managers to prioritize and allot 4-10 positions in the portfolio as shown in table 1 of Appendix.

6.1.2. Portfolio Diversification of Equity Small and Midcap Schemes

Mid-Cap or Small-Cap Funds are the Funds that invest in companies having lower market capitalization than large capitalization companies are called Mid-Cap or Small-Cap Funds. The shares of Mid-Cap or Small-Cap Companies are not as liquid as of Large-Cap Companies which gives rise to volatility in share prices of these companies and consequently, investment gets risky.

Appendix Table 2 shows portfolio diversification of top 10 sectors for the period of 5 years. In the portfolio of **SBI Magnum Sector Umbrella** significant exposure was given to Construction Projects (5.62%) followed by Bank Equity (5.13%), Power Equipment (4.76%), Transmission Towers (4.16%) and NBFCs (3.50%). During the period of 5 years overall 38.19% of exposure was allocated to top 10 sectors of the total portfolio. **UTI Master Value Fund-G's** major shares of portfolio's investments were diversified to Banks Equity (9.7%), Pharmaceuticals (5.37%), Refineries/ Marketing (4.47%). During the study period the fund manager pooled 40.64% of funds of portfolio in top 10 sectors. **Kotak Midcap G's** major portion of investments was pooled into Banks Equity (10.59%) followed by Pharmaceuticals (9.36%) and CBLO (5.14%). The overall exposure of top 10 sectors was 44.46%. **Reliance Growth Fund - Retail Plan (G)** the favorite sectors of Fund Manager were Oil Exploration (11.75%), Banks Equity (9.39%), Pharmaceuticals (9.37%) and Computer Software (6.62%). The top 10 sectors overall diversification stood at 54.05%. In the portfolio of **ICICI Prudential Discovery Fund-institutional I – Option I G**, major exposure was given to Pharmaceuticals (13.06%) followed by Banks Equity (11.2%). The overall exposure of top 10 sectors of this fund was 47.65%. The most preferred sectors of **Franklin India Smaller Companies Fund (G)** fund manager were Banks Equity (9.89%), Pharmaceuticals (6.32%) and Auto Ancillaries (5.97%). The overall exposure of top 10 sectors of this portfolio during the study period was 41.74%. The common sector preferred by this category fund managers was Banks equity, where every fund manager diversified some part of portfolio share. The other selected sectors were entirely different as observed from Appendix, table 2.

6.1.3. Measurement of Degree of Diversification (r^2) of sample funds:

R-Squared is the value of coefficient of determination (r^2), indicates the degree of diversification. Diversification reduces the unique risk of the portfolio. r^2 value ranges from 0-1. According to Morningstar, "a mutual fund with R squared value of 0.85 to 1.00 has a performance record that is closely related to the index and a fund rated 0.70 or less would not perform like the index".

Table 1: Average R Square and Jensen's Alpha and their assigned Ranks of sample Equity funds for the period of 5 yrs

S. No	Name of the Scheme	A ve ra	R an	R an	A ve ra ge Je	R an	R an
Equity Large Cap Schemes							
1	SBI Magnum Index Fund(G)	0.9676	1	1	-1.3922	5	9
2	UTI Master Share Unit Scheme(G)	0.8407	3	3	2.0382	3	7
3	Kotak 50 (G)	0.8177	6	7	1.1101	4	8
4	Reliance Top 200 Fund (G)	0.8460	2	2	-1.8394	6	10
5	ICICI Prudential Top 100 Fund-Institutional Option-I (G)	0.8396	4	4	3.3744	2	4
6	Franklin India Blue chip Fund (G)	0.8205	5	6	4.5904	1	2
	S&P CNX NIFTY	1.0000	-	-	1.3135	-	-
	Category Average	0.8432	-	-	0.0000	-	-
Equity Small and Mid Cap schemes							
7	SBI Magnum Sector Umbrella-Emerging Business Fund (G)	0.7706	4	10	2.7726	4	6
8	UTI Master Value Fund (G)	0.6754	6	12	4.5787	2	3
9	Kotak Mid Cap (G)	0.8321	1	5	-3.8006	6	12
10	Reliance Growth Fund (G)	0.7621	5	11	3.0692	3	5
11	ICICI Prudential Discovery Fund-Institutional Option I (G)	0.7820	3	9	5.3947	1	1
12	Franklin India Smaller Companies Fund (G)	0.8000	2	8	-2.8777	5	11
	CNX MIDCAP INDEX	1.0000	-	-	0.0000	-	-
	Category Average	0.7703	-	-	1.5228	-	-
	Average of All Schemes	0.8129	-	-	1.4182	-	-

Source: CRISIL (Data compiled by the researcher)

Table 1 depicts the mean values of r^2 of select funds. The mean value of r^2 of sample Equity Large Cap schemes were in between 0.9676 for SBI magnum Index Fund and 0.8177 for Kotak 50 Fund, ranked 1 and 6 respectively. While analyzing the r^2 of Equity Small and mid cap Schemes Kotak Mid Cap with 0.8321 ranked the top and UTI Master Value Fund ranked sixth with 0.6754. The Category average of r^2 of Equity Large cap schemes was 0.8432 and Equity Small and Midcap schemes was 0.7703. Comparatively Equity Large cap schemes had higher diversification value than Equity Small and midcap schemes. The ranks were also assigned irrespective of categories; with r^2 values of 0.9676 and 0.8460, SBI Magnum Index Fund ranked first and Reliance Top 200 Fund ranked second respectively. Reliance Growth Fund with 0.7621 ranked 11 and 0.6754 to UTI Master Value fund ranked 12 among the equity funds. The Average r^2 of all Equity schemes was 0.8129 and out of twelve selected schemes 7 i.e. 58.33% of schemes had higher value of diversification than the value of mean r^2 .

6.2. Selectivity Performance evaluation:

In this paper Selectivity performance evaluation is done using Jensen's Alpha and Fama's measure of decomposition. The performance is as follows:

6.2.1. Jensen's Alpha:

Michael C. Jensen (1968) developed a measure to evaluate portfolio known as Jensen's Alpha. Alpha is a coefficient that is proportional to the excess return of a portfolio over its required return, or its expected return, for its expected risk as measured by its beta. Hence, Alpha is determined by the fundamental values of the company in contrast to beta, which measures the return due to volatility. Jensen's Alpha can be positive, negative or 0. Jensen's Index of the market is ZERO. If the Alpha is positive, indicates outperformance of portfolio compared to market and vice versa.

Table 1 shows the average values of Jensen's alpha of sample funds. By observing Jensen's Alpha values, Among 6 selected funds, in the category of equity large cap 2 (33.33%) were laggards and 4 (66.67%) stood as performers. In Equity small and mid cap category also 2 (33.33%) and 4 (66.67%) stood as laggards and performers respectively. Under equity large cap category; Franklin India Blue chip fund (4.5904) outperformed and Reliance Top 200 fund (-1.8394) followed by SBI Magnum Index Fund (G) with -0.3922 underperformed. In equity Small and Mid cap category; ICICI Prudential Discovery Fund-Institutional Option I with Jensen's value of (5.3947) outperformed and Kotak Midcap -3.8006 and Franklin India Smaller companies fund -2.8777 underperformed the benchmark. On an Average, equity large caps and Equity Small and mid caps have the average values of Jensen Alpha (1.3135) and (1.5228) respectively. The average Jensen Alpha of all equity schemes recorded was 1.4182 exploiting active stock selection skills by the fund managers.

6.2.2. Fama's Measure of Decomposition:

Eugene F Fama (1972) developed another portfolio evaluation framework with a finer breakdown of the performance of the fund. It segregates the total return into risk free rate of return, return due to systematic risk, Compensation for improper Diversification and Excess returns gained from the stock selection ability (net selectivity) of the manager at a given level of risk. As per Fama, selectivity i.e. stock selection ability of the fund managers can again be decomposed in to two parts, compensation for Diversification and net selectivity. In fact, greater the diversification achieved by the fund, lesser would be the compensation for improper diversification and vice versa. This may be close to zero for a well diversified fund and will always take a non negative value otherwise (Kundu Abhijit, 2009).

Table 2 shows the mean values of Fama's measure of Decomposition. All the selected funds risk free rate of return was 7%. In the category of Equity Large Cap, compensation for systematic risk $\beta (R_m - R_f)$ were in the range of 2.4754% to Franklin India Bluechip fund (rank 6) and 4.01% (rank 1) to SBI Magnum Index fund. The average $\beta (R_m - R_f)$ was 3.2549%. In case of Equity Small & Mid cap funds, all selected funds earned positive risk premium. The lowest 2.4910% compensation was earned by UTI Master Value fund and highest 4.7602% was earned by Kotak Mid Cap fund. Average compensation for systematic risk is 3.4334%. All sample equity funds gained positive returns for bearing market risk. Considering compensation for unsystematic risk; in the category of Equity Large Cap 0.0687%, the least earned by SBI Magnum Index fund, and 0.3435%, the highest by Kotak 50. The category average is 0.2463%. In Equity Small & Mid Cap category ICICI Pru

Table 4: Average Components of Fama's Measure of Decomposition and their assigned ranks of sample Equity Schemes for the period of 5 yrs

S.No	Name of the Scheme	Total Returns % (1+2+3+4)	Risk Free Rate of Return % (1)	Compensation for Systematic Rank (Category)	Rank (Type)	Compensation for improper Rank (Category)	Rank (Type)	Returns Due to net Selectivity Rank (Category)	Rank (Type)	Selectivity % (2+3+4)	Rank (Category)	Rank (Type)			
Equity Large Cap Schemes															
1	SBI Magnum Index Fund(G)	9.6178	7.0000	4.0100	1	4	0.0687	6	12	1.4609	5	9	2.6178	5	9
2	UTI Master Share Unit Scheme(G)	12.0395	7.0000	3.0012	5	8	0.2738	3	9	1.7644	3	7	5.0394	3	7
3	Kotak 50 (G)	11.3376	7.0000	3.2275	4	7	0.3435	1	7	0.7666	4	8	4.3376	4	8
4	Reliance Top 200 Fund (G)	8.5428	7.0000	3.3822	3	6	0.2176	5	11	2.0571	6	10	1.5427	6	11
5	ICICI Prudential Top 100 Fund- Institutional Option-I (G)	13.8072	7.0000	3.4328	2	5	0.3156	2	8	3.0589	2	4	6.8073	2	4
6	Franklin India Blue chip Fund (G)	14.0658	7.0000	2.4754	6	12	0.2588	4	10	4.3315	1	2	7.0657	1	3
	Average	11.5685	7.0000	3.2549	-	-	0.2463	-	-	1.0672	-	-	4.5684	-	-
Equity Small & Mid Cap Schemes															
7	SBI Magnum Sector Umbrella- Emerging Business Fund (G)	12.3982	7.0000	2.6256	5	10	0.3669	6	6	2.4056	4	6	5.3981	4	6
8	UTI Master Value Fund (G)	14.0697	7.0000	2.4910	6	11	0.5416	3	3	4.0371	2	3	7.0697	2	2
9	Kotak Mid Cap (G)	7.9596	7.0000	4.7602	1	1	0.4610	4	4	4.2615	6	12	0.9597	6	12
10	Reliance Growth Fund (G)	12.9498	7.0000	2.8807	4	9	0.4209	5	5	2.6482	3	5	5.9498	3	5
11	ICICI Prudential Discovery Fund- Institutional Option I (G)	16.6758	7.0000	4.2811	3	3	0.5627	1	1	4.8320	1	1	9.6758	1	1
12	Franklin India Smaller Companies Fund (G)	8.7557	7.0000	4.6334	2	2	0.5497	2	2	3.4274	5	11	1.7557	5	10
	Average	12.1348	7.0000	3.6120	-	-	0.4838	-	-	1.0390	-	-	5.1348	-	-
	Average of All Schemes	11.8516	7.0000	3.4334	-	-	0.3651	-	-	1.0531	-	-	4.8516	-	-

Source: CRISIL (Data compiled by the researcher)

Discovery Fund Institutional Option I ranked top (0.5627%) and SBI Magnum Sector Umbrella – Emerging Business fund ranked least sixth (0.3669%). The category average is 0.4838% and all schemes average stood at 0.3651%. Hence, one can say that on an average, the compensation paid for improper diversification by Equity Large Cap category schemes was lesser than Equity Small & Mid Cap schemes. Returns due to net selectivity in both categories i.e. Equity Large Cap and Equity Small & Mid Cap; 2 funds (33.33%) each in both categories were having negative net selectivity values indicating fund manager's lack of professional management skills in security analysis and 4 funds (66.67%) each in the both the categories were having positive net selectivity indicating greater diversification and superior performance of the fund manager. The average net selectivity of Equity Large Cap funds was 1.0672% and Equity Small & Mid Cap's was 1.0531%. The Equity Large Cap average was meagerly higher than Equity Small & Mid Cap funds, indicating the superior performance through

active bet of former category. Considering selectivity, all selected funds of both the categories have positive score. In Equity Large Cap category; Franklin India Bluechip fund (G) with 7.0657% ranked top and with 1.5427% score Reliance Top 200 fund stood least and in Equity Small & Mid Cap category, ICICI Pru Discovery fund Institutional Option with 9.6758% selectivity value ranked top and with 0.9597%, Kotak Mid Cap ranked the least.

In this regard, detailed explanation is needed for Kotak Mid Cap, Franklin India Smaller Companies fund, Reliance Top 200 fund and SBI Magnum Sector Index funds. The overall selectivity is positive, whereas net selectivity is negative to these funds. Therefore the researcher infers that these funds have failed to generate enough returns to recover even a part of compensation for the inadequate diversification of their portfolios. The top 3 performers among sample Equity funds were ICICI Prudential Discovery fund Institutional Option I with 9.6758% selectivity score and 4.8320% net selectivity followed by UTI Master Value Fund selectivity and net selectivity were 7.0697% and 4.037% respectively and Franklin India Bluechip fund with 7.0657% of selectivity and 4.3315% of net selectivity.

7. Major Findings

The common sectors preferred by the fund managers of Equity Large Cap funds were; Bank Equity, Computer software Equity and Refineries/ Marketing. The sectors selected by the fund managers were more or less similar but the allocated weightages were different among the sample funds. Therefore it is clear that the strategies followed by the fund managers to allocate weightages were different. The common sector preferred by the fund managers of this category is Bank Equity. The other sectors chosen and the weightage given by the fund managers are entirely different from one another. Therefore, one can say that the diversification strategies followed by equity small and mid cap fund managers were entirely different. The degree of diversification of all Selected Equity Large cap and Equity Small and Mid cap schemes had a performance record that is closely related to the index except one scheme namely UTI Master Value Fund which had R^2 value of 0.6754 not performing like index and failed to diversify its portfolio optimally and has higher scope for further diversification. Jensen's Alpha values infers that, in both Equity large Caps and Equity Mid and Small Caps 2 (33.33%) funds each stood as Underperformers and 4 (66.67%) funds each have outperformed the Markets. Fund Manager's of 8 (67.67%) selected equity schemes were having superior stock selection ability where as 4 (33.33%) were in lack of selection skills.

8. Conclusion

From the above discussion the following conclusions can be drawn about the Equity funds; during the period of study, the select equity funds performed well and funds Fund Manager's of 8 (67.67%) selected equity schemes were having superior stock selection ability where as 4 (33.33%) were lack in selection skills. Hence the portfolio managers who are managing the underperformed funds should depend on extensive research than their intuitions to improve their predictive abilities. They have to use active portfolio strategies than passive ones. Although the mutual funds return is dependent on many factors, being professionally managed funds, fund managers should safeguard the investor's funds by proper diversification. ICICI Prudential Discovery Fund-Institutional Option 1 followed by Franklin India Blue chip fund outperformed from the angle of diversification and selectivity performance evaluation measures. But when one observes closely the top 10 sectors portfolio, all select funds preferred Banks, Pharmaceuticals and Computer software. It establishes that the fund manager and his decisions define the return generated by a fund. Hence the investors should be aware of the fund manager while investing their funds.

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Appendix

Table: 1 Equity Large Cap Funds Diversification (Top 10 sectors mean Exposure) for 5 years period i.e. 2008-09 to 2012-13

S. no	Industry	Security Class	Mean Exposure %	S. no	Industry	Security Class	Mean Exposure%
SBI Magnum Index Fund(G)				UTI Master Share Unit Scheme(G)			
1	Banks	Equity	14.42	1	Banks	Equity	13.83
2	Refineries/Marketing	Equity	11.79	2	Computers - Software	Equity	9.58
3	Computers - Software	Equity	11.50	3	Refineries/Marketing	Equity	8.84
4	Diversified	Equity	6.02	4	Cigarettes	Equity	4.59
5	Power	Equity	5.52	5	Pharmaceuticals	Equity	4.41
6	Oil Exploration	Equity	4.88	6	Diversified	Equity	3.87
7	Telecom - Services	Equity	4.67	7	Power	Equity	3.62
8	Cigarettes	Equity	4.05	8	Banks	FD	2.99
9	Steel	Equity	3.98	9	Power Equipment	Equity	2.73
10	Power Equipment	Equity	3.04	10	Cement	Equity	2.62
	Total		69.87		Total		57.08
Kotak 50 (G)				Reliance Top 200 Fund (G)			
1	Banks	Equity	13.45	1	Banks	Equity	13.29
2	Computers - Software	Equity	11.70	2	Refineries/Marketing	Equity	12.01
3	Refineries/Marketing	Equity	9.24	3	Computers - Software	Equity	11.55
4	Banks	CD	5.12	4	Other Equity	Equity	6.17
5	Pharmaceuticals	Equity	5.08	5	Diversified	Equity	5.12
6	Diversified	Equity	5.03	6	Telecom - Services	Equity	4.44
7	CBLO	CBLO	3.52	7	Oil Exploration	Equity	3.77
8	Telecom - Services	Equity	3.33	8	Steel	Equity	3.10
9	Power Equipment	Equity	2.85	9	Pharmaceuticals	Equity	2.74
10	Housing Finance	Equity	2.70	10	Cigarettes	Equity	2.66
	Total		62.02		Total		64.85
ICICI Prudential Top 100 Fund-Institutional Option-I (G)				Franklin India Blue chip Fund (G)			
1	Banks	Equity	12.56	1	Banks	Equity	16.35
2	Refineries/Marketing	Equity	11.03	2	Telecom - Services	Equity	8.87
3	Computers - Software	Equity	9.86	3	Computers - Software	Equity	8.86
4	Telecom - Services	Equity	6.63	4	Refineries/Marketing	Equity	7.53
5	Oil Exploration	Equity	6.29	5	Power Equipment	Equity	5.77
6	Pharmaceuticals	Equity	5.10	6	Diversified	Equity	5.25
7	Diversified	Futures	4.66	7	Pharmaceuticals	Equity	4.16
8	Diversified	Equity	4.05	8	Cement	Equity	3.73
9	Copper & Copper Products	Equity	3.10	9	Housing Finance	Equity	2.13
10	Power Equipment	Equity	2.82	10	Power	Equity	1.83
	Total		66.10		Total		64.48

Source: CRISIL (Data compiled by the researcher)

Table 2: Equity small and Mid Cap Funds Top 10 sectors mean Exposure for the 5 years i.e. 2008-09 to 2012-13

S. no	Industry	Security Class	Mean Exposure %	S. no	Industry	Security Class	Mean Exposure%
SBI Magnum Sector Umbrella-Emerging Business Fund (G)				UTI Master Value Fund (G)			
1	Construction Projects	Equity	5.62	1	Banks	Equity	9.7
2	Banks	Equity	5.13	2	Pharmaceuticals	Equity	5.37
3	Power Equipment	Equity	4.76	3	Refineries/Marketing	Equity	4.47
4	Transmission Towers	Equity	4.16	4	Cement	Equity	4.30
5	NBFC	Equity	3.5	5	Bearings	Equity	4.27
6	Tyres & Allied	Equity	3.45	6	Printing And Publishing	Equity	3.58
7	Fabrics And Garments	Equity	3.14	7	Refractories	Equity	3.10
8	Logistics Solution Provider	Equity	2.96	8	Compressors / Pumps	Equity	2.03
9	Diversified	Equity	2.87	9	Pesticides And Agrochemicals	Equity	2.02
10	Cement	Equity	2.60	10	Computers – Software	Equity	1.80
	Total		38.19		Total		40.64
Kotak Mid Cap (G)				Reliance Growth Fund (G)			
1	Banks	Equity	10.59	1	Oil Exploration	Equity	11.75
2	Pharmaceuticals	Equity	9.36	2	Banks	Equity	9.39
3	CBLO	CBLO	5.14	3	Pharmaceuticals	Equity	9.37
4	Banks	NCD & Bonds	4.16	4	Computers – Software	Equity	6.62
5	Consumer Food	Equity	3.68	5	Other Equity	Equity	3.84
6	Cement	Equity	2.9	6	Refineries/Marketing	Equity	3.65
7	Banks	FD	2.43	7	Steel Products	Equity	3.39
8	Personal Care	Equity	2.17	8	Reverse Repo	Reverse Repo	2.48
9	Power	Equity	2.05	9	Steel	Equity	2.22
10	Power Equipment	Equity	1.98	10	Brew/Distilleries	Equity	1.34
	Total		44.46		Total		54.05
ICICI Prudential Discovery Fund-Institutional Option I (G)				Franklin India Smaller Companies Fund (G)			
1	Pharmaceuticals	Equity	13.06	1	Banks	Equity	9.89
2	Banks	Equity	11.2	2	Pharmaceuticals	Equity	6.32
3	Pesticides & Agro Chemicals	Equity	4.19	3	Auto Ancillaries	Equity	5.97
4	Power	Equity	3.53	4	Chemicals – Speciality	Equity	4.07
5	Tea & Coffee	Equity	3.48	5	Cement	Equity	3.8
6	Cement	Equity	2.78	6	Power Equipment	Equity	3.09
7	IT Enabled Services	Equity	2.58	7	Printing And Publishing	Equity	2.46
8	Oil Exploration	Equity	2.51	8	Construction Civil	Equity	2.28
9	Spinning Cotton/Bended	Equity	2.23	9	TV Broadcasting & Software Production	Equity	2.13
10	Copper & Copper Products	Equity	2.09	10	Gas Transmission/Marketing	Equity	1.73
	Total		47.65		Total		41.74

Source: CRISIL (Data compiled by the researcher)

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