Journal of Science Engineering Technology and Management Science
Volume 02, Issue 08, August 2025 *ISSN: 3049-0952*
www.jsetms.com *DOI:10.63590/jsetms.2025.v02.i08.255-263*

A COMPARATIVE ANALYSIS OF MUTUAL FUNDS AND UNIT LINKED INSURANCE PLANS (ULIPS): EVALUATING INVESTMENT PERFORMANCE AND RISK WITH REFERENCE TO KOTAK

[1] N. Shwetha, [2] Gangipelly Akhila
[1]Associate Professor, [2]MBA Student
DEPARTMENT OF MBA
Sree Chaitanya College of Engineering, Karimnagar

To Cite this Article
N. Shwetha, Gangipelly Akhila, "A Comparative Analysis Of Mutual Funds And Unit Linked Insurance Plans (Ulips): Evaluating Investment Performance And Risk With Reference To Kotak", Journal of Science Engineering Technology and Management Science, Vol. 02, Issue 08, August 2025,pp: 255-263, DOI: http://doi.org/10.63590/jsetms.2025.v02.i08.pp255-263
Submitted: 03-07-2025 *Accepted: 07-08-2025* *Published: 14-08-2025*

ABSTRACT

A variety of mutual fund schemes, including equity, debt, and hybrid funds, will be analysed and compared in this research. The diversity, expert management, and accessibility of mutual funds make them a top investing tool for regular investors. Examining different mutual fund schemes is the main emphasis of this study. In order to measure risk-adjusted returns and overall efficiency, major performance metrics such as Net Asset Value (NAV), Sharpe Ratio, Standard Deviation, Alpha, Beta, and Expense Ratio are used.

The research compares funds over a set time frame to show how their return potential, volatility, and management approaches vary. Market circumstances, interest rates, and economic trends are some of the external elements that are taken into account while evaluating the performance of the fund. The idea is to make it easier for people to figure out which mutual fund is right for them based on their needs, timeline, and level of comfort with risk.

A larger return with a higher risk is associated with equity funds, according to the results, but debt and hybrid funds are more stable. Finding the right mutual funds to diversify a portfolio and maximise wealth generation is easier with the help of a comparative analysis, according to the research.

I. INTRODUCTION

Sectoral funds, which were a hit with mutual fund investors during the last Bull Run, are back in vogue and are being marketed as sector exchange traded funds or sector ETFs this year.

Several asset management companies are in the process of launching ETFs with sectors such as power & infrastructure, automobile, services, FMCG, metals and pharma as the underlying theme.

Those marketing these funds are hoping to raise a fair amount of funds through these schemes. Regular sectoral mutual funds have generated decent returns on their portfolios with banking funds, as a category, having generated 58% returns in one year. Pharma, FMCG and technology categories of sectoral mutual funds have yielded 50%, 46% and 36%, respectively, over a one-year period. On a wider scale, flexi-cap equity funds have returned 31% over the past one year.

"Sectoral ETFs deliver benefits in line with the performance of the un-derlying sector. It gives investors a cost-effective means to participate in sectors he or she is bullish on," said Lakshmi Iyer, head, fixed income & products, Kotak Mutual Fund, which has plans to launch metals and some market cap-based ETFs in the coming months.

According to Ms Iyer, sectoral ETFs provide investors an easy way to transact on the exchange and avail themselves of the benefits of knowing the near real-time prices of their fund investments.

Benchmark Mutual Fund has sought Sebi approvals to launch six ETFs with IT, FMCG, services, energy, pharma and realty as the base themes. The ETFs will be marked against CNX IT, CNX FMCG, CNX Services Sector , CNX Energy, CNX Pharma and CNX Realty indices. The minimum investment for these schemes is Rs 10,000 and in mul-tiples of Re 1 thereafter. Apart from Benchmark, UTI, Edelweiss MF, Reliance Mutual and Religare Mutual have plans to launch sector ETFs in the near term.

According to senior officials at Benchmark, sectoral ETFs allow cost-effective portfolio diversification at one shot thereby reducing scrip-specific risk. It allows foreign portfolio investors and institutional investors to have wide sectoral exposure.

Being listed on the exchanges — and in dematerialised format, ETFs can be traded without much of a hassle. Unlike sector-based mutual funds, there are no exit charges or loads on ETFs.

"ETFs are going to get larger in times to come. We're also open to the idea of sector ETFs and we're working on plans along the same lines," said Jaideep Bhattacharya, CMO, UTI Asset Management.

According to Mr Bhattacharya, the coming months will see fund houses launching ETFs with specific regions or markets as the underlying theme.

While the industry is more or less gung-ho about launching sector ETFs, voices of dissent are being heard from wealth managers and in-vestment advisors.

"ETFs follow a passive investment strategy. There are several diversified equity funds that can generate better returns than ETFs. Only ac-tive fund management can add value to investor portfolios," said a Mumbai-based wealth manager on condition of anonymity. According to investment experts, exposure to a few sectors could in-crease risk on overall fund portfolios. Investors in sector-based funds and ETFs could suffer losses when outlook turns bleak or negative.

NEED OF THE STUDY

1. Mutual funds are dynamic financial intuitions which play crucial role in an economy by mobilizing savings and investing them in the capital market.
2. The activities of Mutual funds have both short and long term impact on the savings in the capital market and the national economy.
3. Mutual funds, trust, assist the process of financial deepening & intermediation.
4. To banking at the same time they also compete with banks and other financial intuitions.
5. India is one of the few countries to day maintain a study growth rate is domestic savings.

SCOPE OF THE STUDY:

The study is limited to the analysis made on two major types of schemes offered by banks. Each scheme is calculated in term of their risk and return using different performance measurement theories. The reasons for such performance in immediately analyzed in the commentary. Column charts are used to reflect the portfolio risk and return.

OBJECTIVES OF THE STUDY:

- To understand what Mutual fund companies.
- To understand Mutual fund companies viz. As Sectoral funds
- To understand each company performance basing on weekly wise data starting from Monday.
- To understand the investment strategies followed by each company.

RESEARCH METHODOLOGY:

For, the purpose of the study, the data collected from primary and Secondary has sanitized edited and presented in the form of tables and statements. The analysis of the data has been made with the help of certain mathematical techniques lie percentages etc. Where ever feasible and opportiate graphs and diagrams are used.

The collection of data is done through two principles sources viz

1. Primary Data
2. Secondary Data

PRIMARY DATA

It is the information collected directly without any reference. In the study, it mainly interviews with concerned officers and staff either individually or collectively. Some of the information had been verified or supplemented with personal observation, the data collected through conducting personal interview with the officer of the India bulls.

SECONDARY DATA:

The data that is used in this project is of secondary nature. The data has been collected from secondary sources such as various websites, journals, newspapers, books, etc.

METHOD OF STUDY:

The data collected for the two sectors are of three months data i.e., Dec 2023 – Jan 2024. The data for study purpose is taken on weekly basis .The data taken into consideration is every Monday.

LIMITATIONS OF THE STUDY:

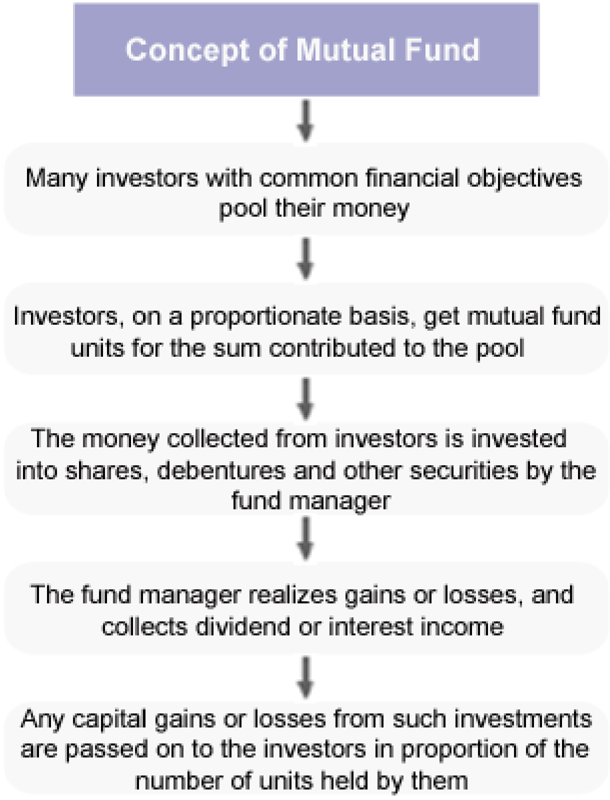
- The study is conducted in short period, due to which the study may not be detailed in all aspects.
- The study is limited only to the analysis of different schemes and its suitability to different investors according to their risk-taking ability.
- The study is based on secondary data available from monthly fact sheets, web sites, offer documents, magazines and newspapers etc. as primary data was not accessible.
- The study is limited by the detailed study of various schemes.

II. LITERATURE REVIEW

MUTUAL FUND

Mutual fund is a trust that pools money from a group of investors (sharing common financial goals) and invest the money thus collected into asset classes that match the stated investment objectives of the scheme. Since the stated investment objective of a mutual fund scheme generally forms the basis for an investor's decision to contribute money to the pool, a mutual fund can not deviate from its stated objectives at any point of time.

Every Mutual Fund is managed by a fund manager, who using his investment management skills and necessary research works ensures much better return than what an investor can manage on his own. The capital appreciation and other incomes earned from these investments are passed on to the investors (also known as unit holders) in proportion of the number of units they own.



When an investor subscribes for the units of a mutual fund, he becomes part owner of the assets of the fund in the same proportion as his contribution amount put up with the corpus (the total amount of the fund). Mutual Fund investor is also known as a mutual fund shareholder or a unit holder.

Any change in the value of the investments made into capital market instruments (such as shares, debentures etc) is reflected in the Net Asset Value (NAV) of the scheme. NAV is defined as the market value of the Mutual Fund scheme's assets net of its liabilities. NAV of a scheme is calculated by dividing the market value of scheme's assets by the total number of units issued to the investors.

ADVANTAGES OF MUTUAL FUND

1. Portfolio Diversification Mutual Funds invest in a well-diversified portfolio of securities which enables investor to hold a diversified investment portfolio (whether the amount of investment is big or small).

2. Professional Management Fund manager undergoes through various research works and has better investment management skills which ensure higher returns to the investor than what he can manage on his own.

3. Less Risk Investors acquire a diversified portfolio of securities even with a small investment in a Mutual Fund. The risk in a diversified portfolio is lesser than investing in merely 2 or 3 securities.

4. Low Transaction Costs Due to the economies of scale (benefits of larger volumes), mutual funds pay lesser transaction costs. These benefits are passed on to the investors.

5. Liquidity An investor may not be able to sell some of the shares held by him very easily and quickly, whereas units of a mutual fund are far more liquid.

DISADVANTAGES OF MUTUAL FUND

1.Costs Control Not in the Hands of an Investor Investor has to pay investment management fees and fund distribution costs as a percentage of the value of his investments (as long as he holds the units), irrespective of the performance of the fund.

2. No Customized Portfolios The portfolio of securities in which a fund invests is a decision taken by the fund manager. Investors have no right to interfere in the decision making process of a fund manager, which some investors find as a constraint in achieving their financial objectives.

3. Difficulty in Selecting a Suitable Fund Scheme Many investors find it difficult to select one option from the plethora of funds/schemes/plans available. For this, they may have to take advice from financial planners in order to invest in the right fund to achieve their objectives.

TYPES OF MUTUAL FUNDS

General Classification of Mutual Funds

Open-end Funds / Closed-end Funds

Open-end Funds

Funds that can sell and purchase units at any point in time are classified as Open-end Funds. The fund size (corpus) of an open-end fund is variable (keeps changing) because of continuous selling (to investors) and repurchases (from the investors) by the fund. An open-end fund is not required to keep selling new units to the investors at all times but is required to always repurchase, when an investor wants to sell his units. The NAV of an open-end fund is calculated every day.

Closed-end Funds

Funds that can sell a fixed number of units only during the New Fund Offer (NFO) period are known as Closed-end Funds. The corpus of a Closed-end Fund remains unchanged at all times. After the closure of the offer, buying and redemption of units by the investors directly from the Funds is not allowed. However, to protect the interests of the investors, SEBI provides investors with two avenues to liquidate their positions:

1. Closed-end Funds are listed on the stock exchanges where investors can buy/sell units from/to each other. The trading is generally done at a discount to the NAV of the scheme. The NAV of a closed-end fund is computed on a weekly basis (updated every Thursday)
2. Closed-end Funds may also offer "buy-back of units" to the unit holders. In this case, the corpus of the Fund and its outstanding units do get changed.

Load Funds/no-load funds

Load Funds

Mutual Funds incur various expenses on marketing, distribution, advertising, portfolio churning, fund manager's salary etc. Many funds recover these expenses from the investors in the form of load. These funds are known as Load Funds. A load fund may impose following types of loads on the investors:

- **Entry Load –** Also known as Front-end load, it refers to the load charged to an investor at the time of his entry into a scheme. Entry load is deducted from the investor's contribution amount to the fund.
- **Exit Load –** Also known as Back-end load, these charges are imposed on an investor when he redeems his units (exits from the scheme). Exit load is deducted from the redemption proceeds to an outgoing investor.
- **Deferred Load –** Deferred load is charged to the scheme over a period of time.
- **Contingent Deferred Sales Charge (CDSS) –** In some schemes, the percentage of exit load reduces as the investor stays longer with the fund. This type of load is known as Contingent Deferred Sales Charge.

No-load Funds

All those funds that do not charge any of the above mentioned loads are known as No-load Funds.

Tax-exempt Funds/ Non-Tax-exempt Funds

Tax-exempt Funds

Funds that invest in securities free from tax are known as Tax-exempt Funds. All open-end equity oriented funds are exempt from distribution tax (tax for distributing income to investors). Long term capital gains and dividend income in the hands of investors are tax-free.

Non-Tax-exempt Funds

Funds that invest in taxable securities are known as Non-Tax-exempt Funds. In India, all funds, except open-end equity oriented funds are liable to pay tax on distribution income. Profits arising out of sale of units by an investor within 12 months of purchase are categorized as short-term capital gains, which are taxable. Sale of units of an equity oriented fund is subject to Securities Transaction Tax (STT). STT is deducted from the redemption proceeds to an investor

BROAD MUTUAL FUND TYPES

1. Equity Funds

Equity funds are considered to be the more risky funds as compared to other fund types, but they also provide higher returns than other funds. It is advisable that an investor looking to invest in an equity fund should invest for long term i.e. for 3 years or more. There are different types of equity funds each falling into different risk bracket. In the order of decreasing risk level, there are following types of equity funds:

a. **Aggressive Growth Funds -** In Aggressive Growth Funds, fund managers aspire for maximum capital appreciation and invest in less researched shares of speculative nature. Because of these speculative investments Aggressive Growth Funds become more volatile and thus, are prone to higher risk than other equity funds.

b. **Growth Funds -** Growth Funds also invest for capital appreciation (with time horizon of 3 to 5 years) but they are different from Aggressive Growth Funds in the sense that they invest in companies that are expected to outperform the market in the future. Without entirely adopting speculative strategies, Growth Funds invest in those companies that are expected to post above average earnings in the future.

c. **Speciality Funds -** Speciality Funds have stated criteria for investments and their portfolio comprises of only those companies that meet their criteria. Criteria for some speciality funds could be to invest/not to invest in particular regions/companies. Speciality funds are concentrated and thus, are comparatively riskier than diversified funds. There are following types of speciality funds:

2.Debt/IncomeFunds

Funds that invest in medium to long-term debt instruments issued by private companies, banks, financial institutions, governments and other entities belonging to various sectors (like infrastructure companies etc.) are known as Debt / Income Funds. Debt funds are low risk profile funds that seek to generate fixed current income (and not capital appreciation) to investors. In order to ensure regular income to investors, debt (or income) funds distribute large fraction of their surplus to investors. Although debt securities are generally less risky than equities, they are subject to credit risk (risk of default) by the issuer at the time of interest or principal payment. To minimize the risk of default, debt funds usually invest in securities from issuers who are rated by credit rating agencies and are considered to be of "Investment Grade". Debt funds that target high returns are more risky. Based on different investment objectives, there can be following types of debt funds:

a. **Diversified Debt Funds -** Debt funds that invest in all securities issued by entities belonging to all sectors of the market are known as diversified debt funds. The best feature of diversified debt funds is that investments are properly diversified into all sectors which results in risk reduction. Any loss incurred, on account of default by a debt issuer, is shared by all investors which further reduces risk for an individual investor.

b. **Focused Debt Funds* -** Unlike diversified debt funds, focused debt funds are narrow focus funds that are confined to investments in selective debt securities, issued by companies of a specific sector or industry or origin. Some examples of focused debt funds are sector, specialized and offshore debt funds, funds that invest only in Tax Free Infrastructure or Municipal Bonds. Because of their narrow orientation, focused debt funds are more risky as compared to diversified debt funds. Although not yet available in India, these funds are conceivable and may be offered to investors very soon.

c. **Assured Return Funds -** Although it is not necessary that a fund will meet its objectives or provide assured returns to investors, but there can be funds that come with a lock-in period and offer assurance of annual returns to investors during the lock-in period. Any shortfall in returns is suffered by the sponsors or the Asset Management Companies (AMCs). These funds are generally debt funds and provide investors with a low-risk investment opportunit

3.GiltFunds

Also known as Government Securities in India, Gilt Funds invest in government papers (named dated securities) having medium to long term maturity period. Issued by the Government of India, these investments have little credit risk (risk of default) and provide safety of principal to the investors. However, like all debt funds, gilt funds too are exposed to interest rate risk. Interest rates and prices of debt securities are inversely related and any change in the interest rates results in a change in the NAV of debt/gilt funds in an opposite direction.

4. Money Market/Liquid Funds

Money market / liquid funds invest in short-term (maturing within one year) interest bearing debt instruments. These securities are highly liquid and provide safety of investment, thus making money market / liquid funds the safest investment option when compared with other mutual fund types. However, even money market / liquid funds are exposed to the interest rate risk. The typical investment options for liquid funds include Treasury Bills (issued by governments), Commercial papers (issued by companies) and Certificates of Deposit (issued by banks).

5. Hybrid Funds

As the name suggests, hybrid funds are those funds whose portfolio includes a blend of equities, debts and money market securities. Hybrid funds have an equal proportion of debt and equity in their portfolio. There are following types of hybrid funds in India:

a. **Balanced Funds –** The portfolio of balanced funds include assets like debt securities, convertible securities, and equity and preference shares held in a relatively equal proportion. The objectives of balanced funds are to reward investors with a regular income, moderate capital appreciation and at the same time minimizing the risk of capital erosion. Balanced funds are appropriate for conservative investors having a long term investment horizon

b. **Growth-and-Income Funds –** Funds that combine features of growth funds and income funds are known as Growth-and-Income Funds. These funds invest in companies having potential for capital appreciation and those known for issuing high dividends. The level of risks involved in these funds is lower than growth funds and higher than income funds.

FINDINGS

SHARPE'S: As per Sharpe performance measure, a high Sharpe ratio is preferable as it indicates a superior risk adjusted performance of a fund. From the above table **LIC Nomura Balanced -Growth** and **SBI** show a better risk-adjusted performance out of top4 AMC'S.

TREYNOR's: As per TREYNOR'S ratio the Treynor's reward to volatility **-** having high positive index is favorable. Therefore, as per this ratio also **LIC Nomura Balanced -Growth** is preferable.

CONCLUSIONS

- The results show that EQUITY FUNDS-SBI MUTUAL FUND is doing well, according to the research.
- The LIC Nomura Balanced Growth is an investment that will provide a return.
- If we look at the big picture, SBI MUTUAL FUND is doing well.
- Potential backers of mutual funds must be informed about them.
- The industry's management and investors should be open and honest about their goals.
- As a result of global AMCS lining up to join the Indian markets, mutual funds have grown by 100%.
- Rural regions may also be accessed via mutual funds.

SUGGESTIONS TO INVESTORS:

Investing Checklist

- Financial goals & Time frame

(Are you investing for retirement? A child's education? Or for current income?)

Risk Taking Capacity

Identify funds that fall into your Buy List

Obtain and read the offer

Documents match your objectives

- In terms of equity share and bond weightings, downside risk
- protection, tax benefits offered, dividend payout policy, sector focus
- Performance of various funds with similar objectives for at least 3-5 years
- Think hard about investing in sector funds For relatively aggressive investors
- Close touch with developments in sector, review portfolio regularly – Look for `load' costs
- Management fees, annual expenses of the fund and sales loads
- Look for size and credentials
- Asset size less than Rs. 25 Crores
- Diversify, but not too much
- Invest regularly, choose the S-I-P
- MF- an integral part of your savings and wealth building plans.

BIBILIOGRAPHY

I. TEXT BOOKS

Donald E Fischer
Ronald J Jordan } Security Analysis Portfolio Management
H.Sadhak Mutual Fund in India

II. WEB SITES

www.amfiindia.com
www.kotak.com
www.bseindia.com
www.nseinda.com
www.bluechipinda.co.in

III. MAGAZINES

Business India
Business World

IV. NEWS PAPERS

Economic Times
Business Standard.