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**BALANCED MUTUAL FUND – A COMPARATIVE STUDY OF
HDFC PRUDENCE FUND AND SBI MAGNUM BALANCE FUND**



HDFC Prudence Fund
The investment objective of the Scheme is to provide periodic returns and capital appreciation

The image shows a promotional graphic for HDFC Mutual Fund. It features the HDFC logo (a square with a stylized 'H') and the text 'HDFC MUTUAL FUND' in white on a red and blue background. Below this, the title 'HDFC Prudence Fund' is written in blue, followed by a description of the fund's investment objective in black text.

Sanjay Kumar Bansal

Associate Professor, Department Of Post Graduate Studies and
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ABSTRACT:

In India Banking and Non-Banking intermediaries has grown. In Non-Banking mutual funds has grown up significantly. First of all it is necessary to understand the meaning of mutual fund. A mutual fund is a pure intermediary which performs a basic function of buying and selling securities on behalf of its units holder, which the latter also perform but not as easily, conveniently, economically and profitability. The investor, in the mutual fund are given the share in its total funds which is proportionate to their investment. It is in the form of units. The main objective of mutual fund is to provide investor of small and large, rich investors to realize high and secure rate of return on their savings.

Mutual fund portfolios are diversified and investor can opt, according to his risk factor. Now we have large cap, small and midcap, small cap mutual funds. Funds are of Balanced mutual funds in which

amount will be invested proportionately in equity and debt various schemes are floated by mutual funds.

KEY WORDS: Mutual Fund, Return, Investment, Systematic Investment Plan.

INTRODUCTION:

The Department of a nation is reflected by the economic development. Economic development is reflected by corporate sector and household factor. A good financial system helps to support the above sectors. Reason is, a financial system facilitates the transformation of savings of individuals, government as well as business into investment and consumption. Financial system has grown in terms of size, diversity, sophistication and complexity. Money Supply, savings, bank deposits and credit, primary and secondary issues and so on has increased tremendously. The quantitative growth of the Indian Financial system has been accompanied by significant diversification and innovations in respect of an array of financial institutions, instruments and services. In addition significant reorganization, globalization, privatization, deregulation, automation, computerization, changes in ownership, consolidation and mergers of financial institutions have been effected.

In India Banking and Non-Banking intermediaries has grown. In Non-Banking mutual funds has grown up significantly. First of all it is necessary to understand the meaning of mutual fund. A mutual fund is a pure intermediary which performs a basic function of buying and selling securities on behalf of its units holder, which the latter also perform but not as easily, conveniently, economically and profitability. The investor, in the mutual fund are given the share in its total funds which is proportionate to their investment. It is in the form of units. The main objective of mutual fund is to provide investor of small and large, rich investors to realize high and secure rate of return on their savings.

Mutual fund portfolios are diversified and investor can opt, according to his risk factor. Now we have large cap, small and midcap, small cap mutual funds. Funds are of Balanced mutual funds in which amount will be invested proportionately in equity and debt various schemes are floated by mutual funds.

Type of Fund:

1. Open Ended Mutual Fund:

One of the major type of funds are open ended fund. When units are sold and redeemed everyday or continuously on an all gong basis at the price determined by the funds NAV. These fund have to announce their sale and purchase prices from time to time on daily basis. The investor can invest in these funds. They can sell any number of units out of held time to time mutual fund and legally they have to repurchase these units. As a result their corpus changes daily. The units of such funds are perpetuities i.e. without any redemption date; no-lock in period and they need not get listed on the stock market. Open ended mutual funds have to invest a good part of capital in the high liquid assets in order to be even ready to repurchase their units.

2. Closed Ended Mutual Fund:

Closed Ended Mutual Funds: These are the funds who sold once the units at inception stage. After that no additional units are sold. They have fixed time of operation. Their funds are fixed till their redemption. At the time of issue redemption date is fixed. It is declared at the time of issue itself. They have a lock-in-period of their to five years. The units are not redeemed by mutual fund before the

termination of the scheme or lock in period.

The evaluation of a mutual fund can also be categories on the basis of primary objective.

- (a) Growth Schemes
- (b) Regular or monthly or cumulative income scheme.
- (c) Growth and Income or Balanced Schemes.
- (d) Special purpose Scheme
- (e) Sectoral schemes
- (f) Tax saving plans,

As per the name suggest, the objective of growth scheme is to achieve fast growth in capital the large capital appreciation or gains, while that of income funds is tilted more towards high current income and low risk. Balanced schemes do not stress on income or capital alone. Growth funds invest primarily in equities and speculative a venues. Income fund invest in Debt and Bonds. Tax saving plans are designed to take advantage of income tax laws and by investing in these investor can reduce his tax liability.

The performance evaluation of mutual fund is an important area for financial economist. The fund managers performance influences the investors to allocate their resources into different mutual funds an performance measure of Indian mutual funds. I fees that there is potential areas in which research can be attempted.

OBJECTIVE OF THE STUDY:

1. To give information about balance mutual funds
2. To compare two balance mutual funds
3. To provide information on wealth creation
4. To give conclusion or result on the basis certain parameters.
5. To compare return on the basis of SIP.

REVIEW OF LITERATURE:

A large number of researches have undertaken lots of study an mutual funds and its performance evaluation. Benes mark comparison is important performance measure as it indicates to what extent the fund manager were able to produce better performance of managed portfolio compared to the market or index portfolios. In 1988 Haslem, J.A. in his paper evaluated fund performance by comparing the fund return with the return on market portfolio with the comparable risk. Portfolio performance without the risk exposure do not periods a true and fair picture. Various researchers have examined performance in terms of risk – adjusted rate of return. Here it is not possible to give details of all contributors. My emphasis is on balance mutual funds in this paper.

SCOPE AND LIMITATION:

1. Study is limited to balance mutual fund
2. Performance is compared of these mutual fund
3. Time span is quite significant long which is suitable and NAV are affected by political change in Government in 2014.
4. Performance data is secondary and taken from websites are limited information is available.

RESEARCH METHODOLOGY:

In this research paper data used is secondary. I have compared two mutual funds of balanced

category. I took a period of 5 years and NAV based. In this research paper first I compare these two funds namely SBI Magnum Balanced funds and HDFC prudence funds. Fusty class wise comparison mode. Secondly sect oral allocation also compared. Kindly I got return during last 5 years on the basis of return of 1 year, 2 year, 3 year and 5 year. Fourthly I compared return on the basis of SIP generated for last 5 years.

SCHEME DETAILS: State Bank of India Balanced fund (Growth)

Time Period is 19-02-2011 to 18-02-2016 .

Absolute Returns: 83.3%

Performance Chart As on 19.02.2016

Period	Absolute Return %	Annualized Return %	Perform Rank (with this fund classes)
1 Week	0.1		24
1 Month	.1.3		18
3 Month	6.2		17
6 Month	7.8		11
1 Year	6.1	6.1	13
2 Year	45.8	20.7	12
3 Year	57.8	16.4	10
5 Year	83.2	12.9	4

Source : website of Moneycontrol.com

SIP Calculator :

Assuming if an investor invest Rs.1,000 per month in State Bank of India Balanced Fund (Growth) for five years from 19th February, 2011 to 18 February, 2016. His total amount invested is Rs.60,000 during this period. He has purchased 987.91 units. His Investment Value on 19th January, 2016 will be Rs.91,004.28. On the basis on this SIP Invested Return is compounded Annualized Growth Rate = 17.19% (Calculated by moneycontrol.com)

60x1000 = 60,000 Units Purchase 987.91

Investment value on 19.01.2016 = Rs. 91,004.28

NAV on 19.02.2016 to = Rs. 90.02530

Investment Objective and Scheme:

To provide investors long term appreciation along with the liquidity of an open ended scheme by investing in a mix of debt and equity. It has a diversify portfolio of equities of high growth companies and reduce the risk by investing in safe debt portfolio. It is a open ended growth launce on 09-10-1995. The Benchmark is CRISIL balance fund. It has a asset size of Rs. 2,721.53 crore (Avg. AUM for quarter oct. – Dec. 2015).

Fund Manager is presently Mr. R. Srinivasan and Mr. Dinesh Ahuja. These managers are as on 29-01-2016 the asset allocation in % in concentrating on these funds only.

Class	SBI Magnum Balance Fund (Growth) %
Equity	71.94
Other (Unlisted)	0.03
Debt	23.46
MF	NIL
Money Market	4.56
Cash/Call	0.01
Net Receivable/Payable	NIL

Source : website of Moneycontrol.com

Major Portfolio Holding on 29.01.2016 is in Infosys (5.75%), HDFC Bank (3.57%), SJVN (2.98%), SBI (2.98%), Pand G (2.90%), HCL TEX (2.77%), eclerx service (2.27%) etc. In Debt instruments Piramal Enterprises Ltd. Janalakshmi Financial Service Pvt. Ltd. And Rivel Electrification corporation Ltd. Are major.

If we see in sectoral Allocation as on 29.01.2016

	Value	%
Banking & Financial Service	Rs. 615 crores	17.86
Information Technology	Rs. 482.7 crores	14.02
Engineering & Capital Goods	Rs. 228.57 Crores	6.64
Automotive	Rs. 215.18	6.26
Services	Rs. 179.26	5.20
Utilities	Rs. 156.84	4.55
Miscellaneous	Rs. 125.19	3.63
Consumer Non durables	Rs. 99.76	2.90
Metals & Mining	Rs. 76.79	2.23
Chemical	Rs. 71.85	2.09
Pharma clouted	Rs. 54.19	1.57
Conglomerates	Rs. 49.41	1.43
Cement & Construction	Rs. 43.45	1.26
Consume Durables	Rs. 30.14	0.88
Media	Rs. 28.24	0.60
Mfg.	Rs. 20.82	0.60
Debt	-	23.46
Cash/Call	-	0.01
Money Market	-	4.56
Other	-	9.03

Source : website of Moneycontrol.com

**Comparison of Fund Return with Category
(Balanced) (SBI Magnum Balance Fund)**

	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	2 Year (%)	3 Year (%)	5 Year (%)
Fund Return	-1.3	-6.2	-7.8	-6.1	20.7	16.4	12.9
Category Return	-1.8	-6.8	-9.3	-8.6	13.9	10.4	7.8
Difference	0.5	0.6	1.5	2.5	6.8	6.0	5.1
Best of Category	0.2	-0.2	0.5	6.4	23.3	18.4	14.2
Worst of Category	-3.5	-12.3	-17.4	-21.9	3.3	3.2	4.1

Source : website of Moneycontrol.com

HDFC Prudence Fund (Growth) :

NAV = 329.086 in 19.02.2016

Period is 19.02.2011 to 18.02.2016

Absolute Return : 59.4 %

Performance Chart As on 19.02.2016

Period	Absolute Return %	Annualized Return %	Perform Rank (with this fund classes)
1 Week	-0.8		50
1 Month	-2.7		48
3 Month	-11.6		50
6 Month	-14.6		50
1 Year	-14.0	-14.0	50
2 Year	37.2	17.1	24
3 Year	40.8	12.1	28
5 Year	59.8	9.8	11

Source : website of Moneycontrol.com

SIP Investment Return (CAGR) = 12.32 %

Assuming if an investor invest Rs.1,000 per month in HDFC Prudence Fund (Growth) for five years from 19th February, 2011 to 18 February, 2016. His total amount invested is Rs.60,000 during this period. He has purchased 235.53 units. His Investment Value on 19th January, 2016 will be Rs.80,991.32. On the basis on this SIP Invested Return is compounded Annualized Growth Rate = 12.32% (Calculated by moneycontrol.com)

60 x 1 = 60000

Units = 235.53 Investment value on 19.01.2016

Rs. 80,991.32

NAV on 19-02-2016 is 329.086

Investment Objective and Scheme:

To Provide periodic returns and capital appreciation over a long period of time from a judicious mix of equity and debt investments with an aim to prevent any capital erosion. Fund is open ended growth Balance and its was launch on 16.12.1993 with asset size is Rs. 7964.98 Core (Avg. AUM for qtr Oct. – Dec. 2015)

Fund manager is Prashant Jain

Class	HDFC Prudence Fund (Growth) %
Equity	74.86
Other (Unlisted)	0.00
Debt	23.42
MF	NIL
Money Market	0.27
Cash/Call	1.45
Net Receivable/Payable	NIL

Source : website of Moneycontrol.com

Major Portfolio on 31.12.2015 is in Infosys (5.74%), ICICI Bank (4.70%), SBI (4.57%), Aarti Ind. (3.78%), Larsen (3.64%), Maruti Suzuki (3.13%), Aurobindo Pharma (2.66%), Tata Motors (D) (1.99%), Bank of Baroda (1.94%), etc. In Debt investment Government securities and Non- convertible Debenture of IDBI Bank, Bank of India, Punjab National Bank etc.

Sectoral Allocation as on 31.12.2015 is

Banking & Financial Service	1403.4278crore	17.62
Information Technology	684.191	8.59
Engineering & Capital Goods	1029.0741	12.92
Automates	531.2635	6.67
Chemical	407.0101	5.11
Oils & Gas	275.5879	3.46
Cement & Construction	246.1176	3.09
Pharmaceuticals	238.1526	2.99
Metals & Mining	223.8157	2.81
Miscellaneous	214.2577	2.69
Telecommunication	193.5488	2.43
Manufacturing	187.9733	2.36
Utilities	109.9166	1.38
Consume Non Durable	66.9057	0.84
Conglomerates	63.7198	0.80
Consume Durable	52.5688	0.66
Food & Beranger	23.0984	0.29
Retail & Real Estate	11.9475	0.15
Debt		23.42
Case/Call		1.45
Money Market		0.27

Source : website of Moneycontrol.com

**Comparison of Fund Return with category Average
(Balanced) (HDFC Prudence Fund) Rank 3**

	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	2 Year (%)	3 Year (%)	5 Year (%)
Fund Return	-2.7	-11.6	-14.6	-14.0	17.1	12.1	9.8
Category Return	-1.8	-6.8	-9.3	-8.6	13.9	10.4	7.8
Difference	-0.9	-4.8	-5.3	-5.4	3.2	1.7	2.0
Best of Category	0.2	-0.2	0.5	6.4	23.3	18.4	14.2
Worst of Category	-3.5	-12.3	-17.4	-21.9	3.3	3.2	4.1

COMPARISON OF SCHEME PERFORMANCE :

First on the basis of class we found both funds invested in equity Rs. 71.94 crore and Rs. 74.86 Crores respectively and 23.42crore in SBI Mangum balance fund and HDFC prudence fund. There is no significant difference in the investment pattern between as sheen in Table.

Secondly if we see holding pattern in portfolio large cap companies are preferred by both companies. Hence there is high risk and large gain.

Thirdly if we compare the sectoral Allocation in Banking and financial Services both % is almost same. In Information technology SBI Investment is almost double i.e. 14.02% in comparison of HDFC (8.59%). In Engineering and Capital Goods SBI invested half (6.64%) and HDFC (12.92%). In all other sector the percentage is almost near to each other. But the return in both companies are different due to asset size. SBI Magnum Balance is Rs. 2721.53crore and in HDFC Rs. 7964.98crore. Since HDFC has more funds even then they are not performing in better. Performance of SBI is better than HDFC Prudence. During last 5 years they provide 12.9% return as compared to category return of 7.8%. It is more than 5.1%. Further Best performed 14.2% return and SBI gave 12.9% in last 5 year.

HDFC could do just 9.8% return in 5 year even when they large funds. Performance over 2 year, 3 year and 5 year of SBI is better. In long run SBI performed better way.

If systematic investment plan is taken for Rs. 1000 per month of SBI magnum balance fund (Growth) then assuming 5 years term. Result from 19.02.2011 to 19.01.2016 total 60 months of Rs. 1000 invested in every month. Total almost invested Rs. 60,000 and on 19.01.2016 the market value of all 987.91 units is Rs. 91,004.28. The annualised return is in 5 years 12.9%. SIP investment return in compounded animalized growth rate is 17.19%.

In HDFC case for the same investment in SIP is amount investment Rs. 60,000 and 235.53 units are second and market value on 19.01.2016 is Rs. 80,991.32. SIP investment return compounded annualised growth rate is 12.32%.

CONCLUSION :

Hence it is concluded that SBI magnum balance fund (Growth) is better than HDFC Prudence fund. A researcher is not taking any no assurance of future. Past returns do not guarantees future returns and investment objectives often influence investment decisions of investors. There are some other factors that may affect the performance of balance mutual funds.

At the end researcher is willing to say that mutual fund performance is subject to market risk. And any person who is willing to invest should consult financial advisor and contact the respective

mutual fund. Researcher is not responsible for any loss. But at last I would like to say what I have found that performance of SBI magnum balance fund (Growth) is better.

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