



A Study of Selected Flexi Cap Mutual Funds

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Abstract: *This paper represents an overview on the performance evaluation of the flexi cap mutual funds. A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors in order to invest in securities like stock, bonds, money market instruments and other assets. Flexi cap funds are open ended dynamic equity schemes that invest across large cap, mid cap and also small cap stocks. These funds allow the investors to diversify their portfolios across market capitalizations in order to reduce risk and volatility. Thus, the fund manager is responsible to analyze the potential of various businesses irrespective of their size and allocation of funds to different sectors and other businesses. This paper also attempts to analyze the best flexi cap mutual funds for the Generation Z. The objective of this research paper is to evaluate the performance of the Parag Parikh flexi cap fund, UTI flexi cap fund and PGIM India flexi fund over the time period of last four years i.e. 2018-19 to 2021-22.*

Keywords: *Flexi Cap Mutual Fund, Performance Evaluation, Market Capitalization.*

1. INTRODUCTION AND BACKGROUND OF THE STUDY

About mutual funds:

Mutual fund refers to the financial instrument that helps in pooling of money from various investors. This pooled money is invested in the form of securities like bonds, stocks of listed companies and other money market instruments. However, one shares the profit and loss equally with the other investors. Therefore, the word “mutual” is being associated with the funds.

About different types of mutual funds:

Mutual funds can be categorized as follows: -

1. Large Cap Mutual Funds

Large cap mutual funds refer to those type of mutual funds which invest in equity share capital of the company with the market capitalization of more than Rs.20,000 crore.



These types of mutual funds invest in at least 80% of their fund corpus in large cap stocks. It also provides stability of returns over the long term.

2. Mid Cap Mutual Funds

These types of mutual funds generally invest in equity shares of companies with a market capitalization between Rs.5,000 crore and Rs.20,000 crore. It involves a moderate risk return ratio and have the potential to produce greater returns than large cap funds.

3. Small Cap Mutual Funds

These types of mutual funds primarily invest in equity shares of companies with a market capitalization of less than Rs.5,000 crore. Their performance is impacted by the market fluctuations.

4. Flexi Cap Mutual Funds

Flexi cap mutual funds refer to the open-ended dynamic equity schemes will be helpful in investing across the large cap, small cap and mid cap mutual funds. These are also very helpful in diversifying the portfolios across market capitalizations, reducing risks and volatility. Therefore, the funds have to be invested in at least 65% of its assets in equity and equity related instruments with no limit on market cap.

About Selected Flexi Cap Mutual Funds: -

1. Parag Parikh Flexi Cap Fund

The Parag Parikh Flexi Cap Fund is an open-ended equity mutual fund scheme. It is a dynamic and diversified equity mutual fund scheme which invests in large cap, mid cap, and small cap stocks of domestic as well as international companies. Therefore, on an average the funds invested in stocks of listed Indian companies is 65%.

Investment objective:

The investment objective of the scheme is to generate long term capital appreciation. This is therefore from an actively managed portfolio primarily of equity and also equity related securities.

2. Pgin India Flexi Cap Fund

This is also a diversified and open-ended equity mutual fund scheme. These dynamic funds also invest in large cap, small cap, mid cap company stocks. Thus, on an average the funds invest in 65% of its assets in equity and equity related instruments. This is an actively managed fund where it can take advantage of high growth stocks and small emerging businesses.

Investment objective:

The investment objective of the scheme is to generate income and capital appreciation. It predominately invests in an actively managed diversified portfolio of equity and also equity related instruments.

3. Uti Flexi Cap Fund

UTI flexi cap fund is an open-ended diversified equity mutual fund scheme. This dynamic mutual fund invests in at least 65% of its assets in large cap mid cap and small cap company stocks. Therefore, the remaining amount is invested in debt instruments or derivatives based on the manager's decision.



Investment objective:

The primary objective is to generate long term capital appreciation. It predominately invests in equity and also equity related securities of companies in a flexible manner across the market capitalization spectrum.

Review of literature:

- N.Bhagyasree, Mrs. B.Kishori (2016), “A study on performance evaluation of mutual funds scheme in India”. Finding of the study associated with the performance evaluation portfolio of the mutual funds through risk and return analysis.
- Manoj Kumar Das, Dr.Gouri Shankar Lal (2018), “PERFORMANCE EVALUATION OF EQUITY BASED MUTUAL FUNDS IN INDIA”. This Study helps to investors for taking investment decision relating to mutual fund schemes and it shows mutual fund is better platform for investment and it provide good return with low risk.
- Dr. Mayank Malviya, Dr. Prateek Khanna (2020), “Performance of mutual fund industry in India”. The results showed that in large cap fund the investors get better return in the initial stage as comparison to long term but the future prospects in the large cap funds is not beneficial for the shorter period so the investors can hold funds for the long term i.e. minimum 3 years.

2. RESEARCH METHODOLOGY OF THE STUDY

➤ **Objectives of the study:**

- To understand the concept of different types of mutual funds.
- To analyze the performance of Parag Parikh flexi cap funds, PGIM flexi cap funds and UTI flexi cap funds over the period of last four years i.e. 2018-19 to 2021-22.
- To compare the performance of selected flexi cap funds.
- To select the best flexi cap funds for investors of the generation Z.

➤ **Hypothesis of the study:**

- **Null hypothesis {H0}** There is no significant difference in the financial performance of selected flexi cap mutual funds.
- **Alternate hypothesis {H1}** There is a significant difference in the financial performance of selected flexi cap mutual funds.

➤ **Sample size:**

Period of study- 4 years

The sample study- 3 flexi cap funds

➤ **Sources of collection of data:**

The secondary or published data of the flexi cap funds has been used for the study.

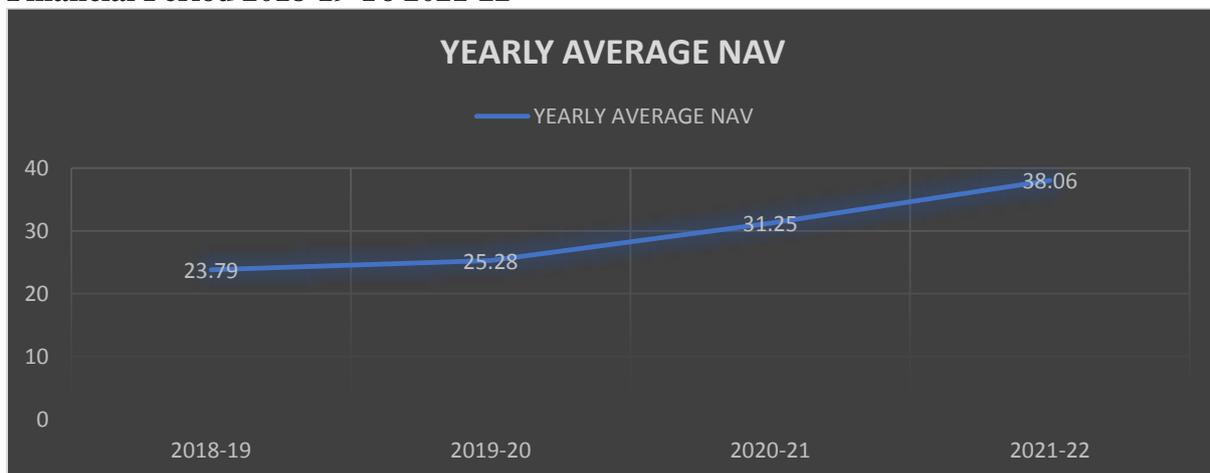


Data analysis and interpretation:

Table 1: Performance Analysis of Parag Parikh Flexi Cap Fund for the Period of Last Four Years (Nav Has Been Considered for the Last Working Day of the Month) Financial Year (1st April To 31st March)

PARTICULARS (MONTH)	2018-19	2019-20	2020-21	2021-22
APRIL	22.49	25.40	22.62	39.68
MAY	23.57	24.46	23.96	39.79
JUNE	23.98	24.91	26.72	42.01
JULY	24.40	25.19	29.23	43.81
AUGUST	25.14	24.32	30.22	46.53
SEPTEMBER	24.31	24.84	30.38	48.94
OCTOBER	22.64	24.97	31.60	51.02
NOVEMBER	23.46	26.47	33.67	52.03
DECEMBER	23.45	26.58	34.41	52.07
JANUARY	23.48	27.42	36.17	50.94
FEBRUARY	24.16	27.98	38.25	47.44
MARCH	24.47	20.92	37.80	46.62
YEARLY AVERAGE NAV	23.79	25.28	31.25	38.06

Line Chart Showing Yearly Average Nav of Parag Parikh Flexi Cap Fund for the Financial Period 2018-19 To 2021-22



Interpretation:

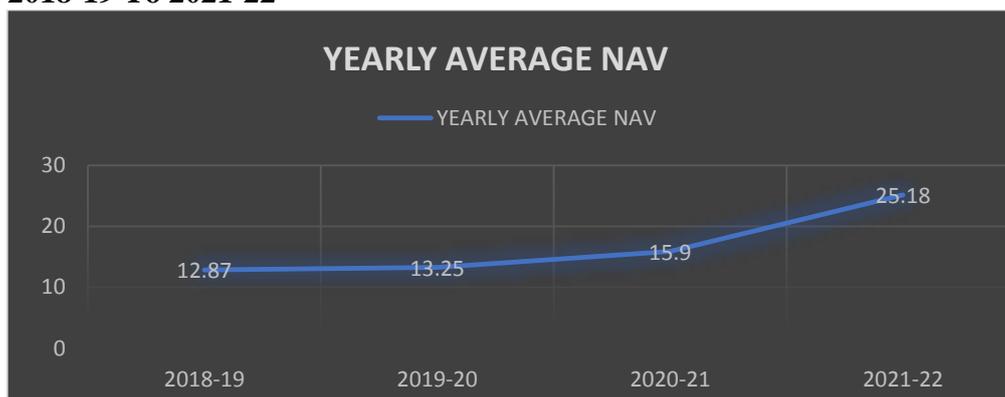
This flexi cap fund is most suitable for the investors who are planning to invest for a period of at least 5 years. Thus, Parag Parikh flexi cap fund is made for those investors looking for exposure in equity asset classes through different market capitalizations. This fund also aims to achieve a diversified portfolio across various industries or sectors or capitalizations. The fund manager also actively manages the portfolio by making changes in it according to the bull or bear situations of the capital market.



Table 2: Performance Analysis of Pгим Flexi Cap Fund for the Period of Last Four Years (Nav Has Been Considered for the Last Working Day of The Month) Financial Year (1st April To 31st March)

PARTICULARS (MONTH)	2018-19	2019-20	2020-21	2021-22
APRIL	13.19	13.30	11.60	21.13
MAY	13.34	13.19	11.73	22.61
JUNE	12.82	13.65	12.68	23
JULY	13.24	12.80	13.68	23.72
AUGUST	13.83	12.27	15.11	25.16
SEPTEMBER	13.24	12.55	15.13	26.38
OCTOBER	12.32	12.89	15.70	27.33
NOVEMBER	12.28	13.70	17.17	27.76
DECEMBER	12.60	13.69	18.90	26.09
JANUARY	12.28	14.51	18.71	27.74
FEBRUARY	12.19	14.55	20.54	26.52
MARCH	13.16	10.68	20.27	24.71
YEARLY AVERAGE NAV	12.87	13.25	15.90	25.18

Line Chart Showing Yearly Average Nav of Pгим Flexi Cap Fund for the Financial Period 2018-19 To 2021-22



Interpretation:

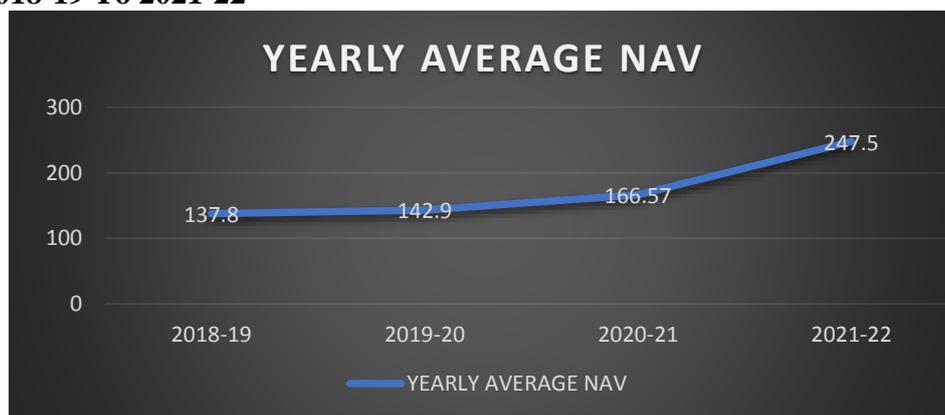
This flexi cap mutual fund is also very suitable for investing in the capital market for the period of at least 5 years. Therefore, investors looking for tactical asset allocation can consider investing through this scheme. Diversified portfolio across various industries, sectors and market capitalization can also be achieved through this scheme. The fund managers also actively manage the portfolio looking for potential earnings with attractive return ratios and cash flows from the underlying company stocks.



Table 3: Performance Analysis of Uti Flexi Cap Fund for the Period of Last Four Years
(Nav Has Been Considered for the Last Working Day of the Month)
Financial Year (1st April To 31st March)

PARTICULARS	2018-19	2019-20	2020-21	2021-22
APRIL	136.50	142.72	124.63	210.43
MAY	136.51	143.26	123.25	223.29
JUNE	139.01	141.56	131.09	229.54
JULY	144.99	133.03	146.28	239.44
AUGUST	146.93	133.41	153.39	248.38
SEPTEMBER	140.29	136.66	154.80	266.46
OCTOBER	130.86	146.33	164.70	276.03
NOVEMBER	131.25	147.31	180.92	267.74
DECEMBER	135.45	151.30	191.57	267.96
JANUARY	135.70	157.30	204.59	261.65
FEBRUARY	134.35	160.58	214.31	239.88
MARCH	141.84	121.45	209.33	239.29
YEARLY AVERAGE NAV	137.80	142.90	166.57	247.50

Line Chart Showing Yearly Average Nav Of Uti Flexi Cap Fund For The Financial Period 2018-19 To 2021-22



Interpretation:

UTI flexi cap fund is suitable for investors with at least 5 years of investment horizon. Thus, investors who prefer exposure in equity asset classes through different market capitalizations can consider investing in this scheme. Diversified portfolio across various industries, sectors and market capitalizations can also be achieved. The main objective is to deliver capital appreciation and wealth creation for investors in long term.



Table 4: Comparative Performance of the Selected Flexi Cap Mutual Funds:

YEAR	PARAG PARIKH FLEXI CAP FUND (yearly average NAV)	PGIM FLEXI CAP FUND (yearly average NAV)	UTI FLEXI CAP FUND (yearly average NAV)
2018-19	23.79	12.87	137.8
2019-20	25.28	13.25	142.9
2020-21	31.25	15.90	166.57
2021-22	38.06	25.18	247.5

Interpretation:

Nav (Net Asset Value) Is The Value Of A Fund’s Asset Minus Any Liabilities And Expenses. This Represents The Price At Which Investors Can Buy Or Sell Units Of The Fund. When The Value Of The Securities In The Fund Increases, The Nav Also Increases.

Nav = Value Of Assets – Value Of Liabilities

Where:

Value of assets is the value of all the securities in the portfolio.

Value of liabilities is the value of all the liabilities and fund expenses (such as staff salaries, management expenses, operational expenses, audit fees, etc.)

NAV represents the fund’s market value.

Here, in the above table we can see that the NAV of the selected flexi cap funds has been increasing year by year, therefore, the value of the respective securities is also increasing.

Testing of hypothesis through t- test statistics:

1. Comparison of performance between parag parikh and pgim flexi cap mutual funds

YEAR	PARAG PARIKH FLEXI CAP FUNDS	PGIM FLEXI CAP FUNDS	
2018-19	23.79	12.87	
2019-20	25.28	13.25	
2020-21	31.25	15.9	
2021-22	38.06	25.18	=T.TEST(B2:B5,C2:C5,2,3)

Level of significance= 5%

Degree of freedom:

n-1

= (4-1=3)

Critical value= 3.182

t test value= 0.02607



2. Comparison Of Performance Between Pigm Flexi Cap Fund And Uti Flexi Cap Fund

YEAR	PGIM FLEXI CAP FUND	UTI FLEXI CAP FUND	
2018-19	12.87	137.8	
2019-20	13.25	142.9	
2020-21	15.9	166.57	
2021-22	25.18	247.5	=T.TEST(B8:B11,C8:C11,2,3)

Level of significance= 5%

Degree of freedom:

n-1

= (4-1=3)

Critical value= 3.182

t test value= 0.0080

3. Comparison Of Performance Between Uti Flexi Cap Fund And Parag Parikh Flexi Cap Fund

YEAR	UTI FLEXI CAP FUND	PARAG PARIKH FLEXI CAP FUND	
2018-19	137.8	23.79	
2019-20	142.9	25.28	
2020-21	166.57	31.25	
2021-22	247.5	38.06	=T.TEST(B14:B17,C14:C17,2,3)

Level of significance= 5%

Degree of freedom:

n-1

= (4-1=3)

Critical value= 3.182

t test value= 0.0101

Interpretation:

The critical value is greater than the computed value of t, therefore, H₀ is rejected at 5% level of significance and H₁ is accepted i.e. There is a significant difference in the financial performance of selected flexi cap mutual funds.

3. FINDINGS AND CONCLUSION

- On the basis of the above study, it can be concluded that PIGM can be selected as the best flexi cap mutual fund among the three flexi cap funds as it has the highest percentage increase in the NAV.



- Therefore, the generation Z investors can select PGIM flexi cap mutual fund as the best flexi cap funds.
- It can also be concluded that NAV plays a very important role in the evaluation of the performance of the mutual funds.

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