

Assessment of Risk and Return Performance of ICICI Prudential Equity Fund Dr. S. Meenakshi*

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ABSTRACT

The first introduction of mutual fund in India occurred in 1963, when the government of India launched Unit Trust of India (UTI). In 1996, SEBI (stock exchange board of India) the regulator of mutual fund in India, formulated the mutual fund regulation which is comprehensive regulatory framework. And the income of the mutual fund takes in two forms they are dividends and capital gain. Mutual fund means a group of people collecting the money putting together and investing to buy shares stocks and bond. Mutual fund follow some principles and it work on that principle “small drops of water make a big ocean”.

INTRODUCTION

The first introduction of mutual fund in India occurred in 1963, when the government of India launched Unit Trust of India (UTI). In 1996, SEBI (stock exchange board of India) the regulator of mutual fund in India, formulated the mutual fund regulation which is comprehensive regulatory framework. And the income of the mutual fund takes in two forms they are dividends and capital gain. Mutual fund means a group of people collecting the money putting together and investing to buy shares stocks and bond. Mutual fund follow some principles and it work on that principle “small drops of water make a big ocean”.

Industrial Credit and Investment Corporation of India (ICICI). ICICI bank was originally promoted in 1994 by ICICI LIMITED, an Indian financial institution and was it wholly owned subsidiary. ICICI is an Indian multinational banking and financial services company headquarters in Mumbai, Maharashtra, India with registered office in vadodara . In 2014 it was the second largest bank in India in terms of assets and third in terms of assets and third in terms of market capitalization. In 1999 ICICI became the first Indian company and the first bank or financial institution from non Japan Asia to be listed on the NYSE.

The main role of ICICI in Indian financial infrastructure is that National Stock Exchange was promoted by India's leading financial institutions (including ICICI limited) in 1992 on behalf of the government of India with the objective of establishing a national wide trading facility for equity, debt instruments and hybrids, by ensuring equal access to investors all over the country through an appropriate communication network. And their principal objective is to provide medium term and long term project financing to Indian business.

OBJECTIVE

- To understand the detailed concept of ICICI prudential US blue chip equity fund.
- To know the benefits and the risks of investing in this fund.
- To understand the summary and features of this fund.
- To know how it is different from other mutual fund.
- To know how does the fund works through stock selection process and investment process flow.
- To make the analysis data of NAV equity returns, past 3 years performance of fund.
- To analysis of sectors and holdings invested in this scheme/fund.

REVIEW OF LITERATURE

Mr. santanu debnath on june10,2015 says about the investing in international mutual fund is beneficial to the investors. There are many benefits associated with them like introduction to emerging market, commodities boom or business cycle of different market and according to the last one year data the top 10 international mutual fund has shown huge return from 26% to 50%.

The investors may gain better return than other mutual fund, growth of your principal amount and the better investment portfolio these all the benefits gets while investing in international mutual fund. if the fund are chosen properly in international mutual fund your return would be higher compared to domestic market.

Manshu on june23,2015 he says that investing in international mutual fund you may find it difficult to get the information about how companies are linked with the performance of the fund and may be in the change of

business plan happening etc so the upcoming markets can be affected with the economic and political changes of these countries.

And the international mutual fund are new in Indian market you may not find enough historical data for few of them. Almost everyone investing in mutual fund after analyzing the track the records of the fund.

Devangi bhuta on august30,2015 says that actually the options are very limited in India to invest in international markets unlike US where you have so many equity funds. Investing and selecting the ICICI prudential US blue chip is beneficial because we have observed that franklin blue chip performance has dipped .Because I have been in franklin feeder for a year cannot say returns are speculator. And I consider for existing the other fund like franklin US feeder and motila oswal ones and switching too better performer like ICICI prudential US blue chip equity fund.

Gaurav on september11,2015 investing in US blue chip international mutual fund is beneficial. Investing in international mutual fund has risk but all the returns and risk go hand in hand. Most of the international mutual fund are feeder fund, to know the information or the details of the fund it is simple google search on the primary fund.

Kripananda Chidambaram on may14,2014 in this article he has stated that last few week stock markets have been rising and hitting the highest record, sensex has crossed 24000 for the first time in history. The question may rise in the mind of the investors whether to invest or exist .The stock trader have to ignore in such adverse movements because market has the rise or fall in stock.

The performance of investments will always be based on their economic condition so long term investors and SIP investors should focus on economic condition that will lead to reflect in their returns.

For the stock trader investing in long term and SIP they invest in the fund no matter whether the sensex in 19000 or 24000 or the stock trader does not need money for the next 5 to 6 years they can invest in mutual fund. the stock trader can also exist the fund when they need money and the exist must be based on the need basis and not on what level the markets are.

E. Adajana published on June29,2012.

This article states that ICICI prudential US blue chip equity fund of asset management company has tied up with Morningstar, a US based mutual fund and this invests in large and well managed companies of the US.

What they like from this fund. for those who wish to invest in variety overseas and don't mind sticking to just US, ICICI prudential US blue chip is a good option. This fund picks up the companies which have a economic moat and only expertise company. so that their company portfolio stays for a longer period of time.

Though it is a new scheme it has a track record of returns 15.33% and 30.5% in the past one or three years . what they don't like from this fund is that investing in foreign funds it comes with the currency risks because this fund allow the investors to invest directly in US company and they van invest in rupees.

For example you have invested 50000 om23may 2011 at 45.24 to a dollar that day so you have invested about \$1.105 in the US market and after a weeks the rupee depreciated against dollar and it hit the record low your investment doesn't increase but if the reverse happens your investment increase. So the investors may have the chance of earning profit or loss. Risk and the returns may go hand in hand.

RESEARCH METHODOLOGY

The study of ICICI prudential US blue chip equity fund is descriptive in nature. In this study my objective is collecting the reports of NAV return, performance of the fund for 3 years, assets allocation of the fund, top 5 sectors of the fund, top 10 holdings of the fund. The research methodology includes only the qualitative studies. The qualitative approach was based on secondary data consists of information sourced through various websites, research articles.

DATA ANALYSIS AND INTERPRETATIONS

NAV RETURNS FOR ICICI PRUDENTIAL US BLUECHIP EQUITY FUND

PERIODS	RETURNS (%)	RANK
1 month	7.9	9
3month	0.9	15

6 month	6.0	11
1 year	6.3	8
2 year	9.3	12
3 year	18.2	2
5 year	-	-

PERFORMANCE OF ICICI PRUDENTIAL US BLUECHIP EQUITY FUND

	1month (%)	3month (%)	6month (%)	1 year (%)	2 year (%)	3 year (%)	5 year (%)
Fund return(F.R)	7.9	0.9	6.0	6.3	9.3	18.2	-
Category return average (C.R)	3.6	-3.5	-0.4	-5.4	-0.8	2.0	0.7
Difference Fund F.R&C.R	4.3	4.4	6.4	11.7	10.1	16.2	-
Best of category	44.4	32.7	33.0	49.6	27.6	24.3	9.8
Worst of category	-7.5	-20.3	-20.0	-40.4	-28.3	-26.1	-16.0
% Growth	-0.81%	3.63%	-1.19%	5.55%	4.76%	60.67%	-

PERFORMANCE: 2012-07-10 TO 2016-03-04

PERIOD	ANNUALISED RETURN (%)	ABSOLUTE RETURNS (%)	PERFORMANCE RANK
1 week	-	2.0	35
1 month	-	7.8	10
3 month	-	0.7	16
6 month	-	5.4	13
1 year	5.2	5.2	10
2 year	11.0	23.1	10
3 year	17.3	61.4	4
5 year	0.0	0.0	N.A

SECTOR ICICI PRUDENTIAL US BLUECHIP EQUITY FUND

SECTORS	% allocation	Value in(RS cr)	MOM change (in allocation %)
Services	31.40	53.55	-2.23
Health care	19.94	34.01	-0.95
FMCG	8.28	14.11	0.28
Financial	7.18	12.24	0.00
Automobile	6.86	11.70	0.59

FINDINGS OF THE STUDY

The data were analyzed using the statistical reports that have been described and the results drawn based on these statistical reports are given below:

- NAV returns(%) based on the months during the 1st month and 6th month it have been increased and in between of the 3rd month it have been decreased it shows the high returns in 1st month (7.9%) and on the year basis from the 1st 3 years it have been increased during the 3rd year it had higher returns of (18.2%) and 5th years their returns is nil. so this shows that during the first 3 years the fund had good return rates. NAV absolute returns (%)for 3 years(2013,2014,2015).
- During 2013 the fund has performed with the high good return .it increased the return at each and every quarterly and their annual returns is 42.2%during 2013.
- In 2014 it has less return rates. from 2013-2014 the return rate have been decreased to 14.5%.
- In 2015 at the first and third quarterly it has got up with negative returns(-1.4% &-5.5%) and their annual return 1.7% it have been entirely decreased when compared to 2014&2013.
- In 2013 NAV absolute return has got up with a very good return rates.

Performance of the fund of fund return, category return, growth (%):

- Fund return: In fund return each and every year there is a increased in the return rate. It has increased from 6.3% during 1st year and 9.3 % during 2nd year and 18.2% in 3rd year and it is decreased during 5th year the performance is nil.
- Category absolute return: in category return the first two years performance is resulted in negative(-5.4,-0.8) and in 3rd year and 4th it performed better (2.0%,0.7%).Growth (%): The performance of the growth

stating that 3rd year performance is higher (60.67%) but it has decreased during 1st 2nd and 5th year (5.55%, 4.76%, nil).

- Fund return have performed better than the category absolute return. From the analysis of whole table the fund showing the 3rd year performance is good and it has decreased during 5th year .

Performance from 2012-07-10 to 2016-03-04:

- Annualized return: During 6 month the performance is nil. And return increased from the 1st year to till 3rd year (5.2, 11.0, 17.3) and during 5th year the performance is nil. The 3rd year have good annualized return.
- Absolute return (%): the performance of absolute return is increased each and every year. It have been increased upto 3 years increased from 5.2% to 61.4%. and the performance of 5th year is nil.
- Based on the higher return ranks are given for both annualized return and absolute return. Absolute return have performed better than the annualized return. 3rd year has the highest return rate % in both annualized and absolute return.

Fund performance for the year 2013,2014,2015:

- Fund: The performance of the fund have been decreased from 2013 to 2015.during 2013 the fund had 45.73 and it has decreased to 0.68 by during 2015.
- Returns (%): during 2013 it is showing the highest performance with 38.86% and 12.29% during 2014 and decreased to 1.17% in 2015 .
- Category: 2015 showing the negative return rates (-7.03).from the all three years it showing 2013 performance is good and sowing poor performance during 2015.

CONCLUSION

This is an interesting product and it is good that fund houses are coming up with funds that invest directly in American markets but the expenses seem to be high and it's a lot better to have a passive index fund that's low cost than an active fund with higher cost.

In two or three years there will be plenty of funds in this category and then perhaps you will have lower cost options but till then if you wanted to take exposure to the US markets then this is a viable option along with the Motilal Oswal NASDAQ fund.

The Mutual funds are one of the best investment source available for Indian small investors to make an investment, if thoroughly assessed it may give big returnswith little savings. To evaluate the ways and means to improve returns and performance in 2015 & 5th year I have mentioned various suggestions that are listed above.

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