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A COMPARATIVE ANALYSIS OF TRADING IN EXCHANGE TRADED FUNDS OF THE SAME FUND HOUSES

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ABSTRACT

An Exchange Traded Fund is similar to an Index Mutual Fund. Both strive to replicate the performance of the benchmark index. The only difference is that the Exchange Traded Funds are not interested to outperform the indices. Four categories of such funds are available in India. But for the study Equity and Gold Exchange Traded Funds launched by the same Fund Houses are only considered. Equity funds include the funds with index as underlying assets. The study attempts to compare the performance of these two funds from 2011-17. The sample size is limited to 12; 6 Equity Exchange Traded Funds, and 6 Gold Exchange Traded Funds. This can be helpful for the investors in making wise investments.

KEYWORDS

exchange traded funds, gold exchange traded funds, index, investments.

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G11

1. INTRODUCTION

A country consists of poor and rich. Development of these two categories is very much essential for the development of a country, especially India. The development should be balanced. Stock market is a component of a financial system it facilitates the transfer of financial surplus from surplus areas to the deficit areas. This can ultimately lead to balanced regional development. For this purpose, adequate investments should be made. However, some are hesitant to make investments fearing about the loss of money or assets. Proper measures or schemes favourable to them should be introduced. Investors should be convinced about the importance of these schemes. Proper regulations and liberal working environments should also be arranged by the statutory authorities. Mutual fund is a type of scheme, which is launched for the upliftment of the poor. These funds mobilize and pool the savings of many poor people and make investments in government securities or other corporate societies. They are providing interests, dividends, capital gains etc to the people. Mutual fund schemes can be classified into various categories.

An Index Fund is a type of mutual fund, which aims to replicate or outperform the performance of the benchmark index. An Exchange Traded Fund is similar to an Index Fund. Both are having same aim. The difference is that the former does not attempt to outperform the benchmark index. It can be bought and sold like stocks on a stock exchange. They are having much acceptance worldwide compared to the previous years. It is mainly classified into Equity and Gold in India. Equity Exchange Traded Fund tries to track the performance of its underlying index and Gold Exchange Traded Funds attempts to track the performance of physical gold. These schemes are having less expense ratios, transaction costs etc. They provide more diversification and liquidity. Equity Exchange Traded Funds are cheaper for first time investors. The Gold Exchange Traded Funds help the investors to make investments in gold without actually owing them and can't be stolen or destroyed.

These Exchange Traded Funds are introduced and carried out by big companies or firms, commonly referred to as fund houses. Many fund houses and Exchange Traded Schemes are there in our native country. Some fund houses will be interested in dealing with Equity and Gold Exchange Traded Funds separately, but nowadays a few fund houses are launching these two schemes simultaneously. It is not feasible to include all the schemes for the current study. So the present study deals with the schemes launched by top performing fund houses (for the past 6 years; 2011-17) of India like Birla Sun Life, Kotak, Reliance, Invesco India Asset, Quantum and ICICI Prudential. The Exchange Traded Funds in India are performing poor compared to foreign funds because of the development status of India. But scholars are of the opinion that such funds are having large potential. So it is urgent to look for efficient and effective investors for the same.

2. MORE ABOUT EXCHANGE TRADED FUNDS (ETFS)

Exchange Traded Funds are one of the latest financial products available in the modern era. It had taken a huge time for the evolution. Since the plain vanilla ETFs were developed, they have evolved over time. The initial ETFs held a basket of securities that replicated the component securities of broad-based stockmarket indexes, such as the S&P 500. [1]With the passage of time more and more ETFs are coming forward. As predicted by Goldman Sachs, the Global Investment Bank, by 2035 India would be the third largest economy of the world just after US and China. It will grow to 60% of size of the US economy[2]. Most of the press coverage has correctly noted the major advantages of ETFs—low–costs, intraday trading and high tax efficiency with no material premiums or discounts to the funds' intraday net asset value. However, there is a fair degree of misunderstanding about how ETFs work, what sectors of the market are good candidates for ETFs and what sectors are not, why the expense ratios tend to be low, and how most of the funds manage to avoid significant capital gains distribution[3]. As more and more funds are coming forward the risk, complexity and competition also increased which creates a burden on the investors. So the former should follow proper strategies and strict adherence to SEBI guidelines. Crisis experience has shown that as the financial intermediation chain lengthens, it becomes complicated to assess the risks of financial products due to a lack of transparency as to how risks are managed at different levels of the intermediation chain. Exchange-traded funds, which have become popular among investors seeking exposure to a diversified portfolio of assets, share this characteristic, especially when their returns are replicated using derivative products. As the volume of such products grows, such replication strategies can lead to a build-up of systemic risks in the financial system.[4] Using an economical scanning it is spotted that the schemes of the fund houses Birla, HDFC, ICICI, Invesco, Kotak, Quantum, Reliance, SBI and UTI are showing better performances Kotak Nifty ETF and Quantum Nifty ETFs seem to be doing quite well in terms of providing good annualized returns among the ETFs under study[5]

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TABLE 1: LIST OF GOLD ETFS TRADED AT NATIONAL STOCK EXCHANGE

Issuer	Name	Symbol
Axis Mutual Fund	Axis Gold ETF	AXISGOLD
Birla Sun Life Mutual Fund	Birla Sun Life Gold ETF	BSLGOLDETF
Canara Robeco MF	Canara Robeco Gold ETF	CANGOLD
Goldman Sachs Asset Management	Goldman Sachs Gold Exchange Traded Scheme	GOLDBEES
HDFC Mutual Fund	HDFC Gold Exchange Traded Fund	HDFCMFGETF
ICICI Prudential Mutual Fund	ICICI Prudential Gold Exchange Traded Fund	IPGETF
IDBI AMC	IDBI Gold ETF	IDBIGOLD
Kotak Mutal Fund	Kotak Gold Exchange Traded Fund	KOTAKGOLD
Quantum Mutual Fund	Quantum Gold Fund (an ETF)	QGOLDHALF
Reliance Mutual Fund	Reliance Gold Exchange Traded Fund	RELGOLD
Religare Mutual Fund	Religare Gold Exchange Traded Fund	RELIGAREGO
SBI Mutual Fund	SBI Gold Exchange Traded Scheme	SBIGETS
UTI Mutual Fund	UTI GOLD Exchange Traded Fund	GOLDSHARE

Source: Secondary data

TABLE 2: LIST OF EQUITY ETFS TRADED AT NATIONAL STOCK EXCHANGE

Issuer Name	Name	Symbol	Underlying
Edelweiss AMC	Edelweiss Exchange Traded Scheme - Nifty	NIFTYEES	Nifty 50 Index
Goldman Sachs Asset Management	GS Nifty BeES	NIFTYBEES	Nifty 50 Index
ICICI Prudential AMC	ICICI Prudential Nifty ETF	INIFTY	Nifty 50 Index
Kotak AMC	Kotak Nifty ETF	KOTAKNIFTY	Nifty 50 Index
Motilal Oswal AMC	MOSt Shares M50	M50	Nifty 50 Index
Quantum AMC	Quantum Index Fund - Growth	QNIFTY	Nifty 50 Index
Reliance AMC	R*Shares Nifty ETF	RELNIFTY	Nifty 50 Index
Religare AMC	Religare Invesco Nifty ETF	RELGRNIFTY	Nifty 50 Index
SBI AMC	SBI ETF Nifty	SETFNIFTY	Nifty 50 Index
UTI AMC	UTI Nifty ETF	UTINIFTETF	Nifty 50 Index
Birla Sun Life AMC	Birla Sun Life Nifty ETF	BSLNIFTY	Nifty 50 Index
ICICI Prudential AMC	ICICI Prudential CNX 100 ETF	ICNX100	Nifty 100
Reliance AMC	R*Shares CNX 100 ETF	RELCNX100	Nifty 100
Goldman Sachs Asset Management	GS Bank BeES	BANKBEES	Nifty Bank
Kotak AMC	Kotak Banking ETF	KOTAKBKETF	Nifty Bank
Reliance AMC	R*Shares Banking ETF	RELBANK	Nifty Bank
SBI AMC	SBI ETF Banking	SETFBANK	Nifty Bank
Goldman Sachs Asset Management	CPSE ETF	CPSEETF	Nifty CPSE Index
Reliance AMC	R*Shares Dividend Opportunities ETF	RELDIVOPP	Nifty Dividend Opportunities 50
Reliance AMC	R*Shares Consumption ETF	RELCONS	Nifty India Consumption
Goldman Sachs Asset Management	GS Infra BeES	INFRABEES	Nifty Infrastructure
Motilal Oswal AMC	MOSt Shares M100	M100	Nifty Midcap 100
Goldman Sachs Asset Management	GS Junior BeES	JUNIORBEES	Nifty Next 50
SBI AMC	SBI ETF Nifty Junior	SETFNIFJR	Nifty Next 50
Goldman Sachs Asset Management	GS PSU Bank BeES	PSUBNKBEES	Nifty PSU BANK
Kotak AMC	Kotak PSU Bank ETF	KOTAKPSUBK	Nifty PSU BANK
Goldman Sachs Asset Management	GS Shariah BeES	SHARIABEES	Nifty50 Shariah Index
Reliance AMC	R*Shares NV 20 ETF	RELNV20	Nifty50 Value 20 Index
ICICI Prudential AMC	ICICI SENSEX Prudential Exchange Traded Fund	ISENSEX	S&P BSE Sensex
UTI AMC	UTI Sensex ETF	UTISENSETF	S&P BSE Sensex

Source: Secondary data

3. STATEMENT OF THE PROBLEM

With the passage of time the concept of Exchange Traded Funds are becoming more complex. Many Fund Houses are coming forward claiming that their funds are the best. Same Fund Houses are launching two different categories of the funds namely Equity Exchange Traded Funds and Gold Exchange Traded Funds. It is not feasible to make investments is all these funds Investors should be very keen in selecting the proper one. They are interested to look at the current performance of the same before moving forward. The current study can aid them in this regard.

4. OBJECTIVES

1. To compare the performance of Equity Exchange Traded Funds and Gold Exchange Traded Funds launched by the same Fund Houses.
2. To study the risk associated with the funds.
3. To identify the best fund(s) in terms of risks and returns.

5. RESEARCH HYPOTHESIS

1st set of hypothesis:

H_0: There is no difference between the performance of Exchange Traded Funds launched by the same Fund Houses.

H_1: There is difference between the performance of Exchange Traded Funds launched by the same Fund Houses.

2nd set of hypothesis:

H_o: There is no difference between the returns generated by the funds

H_1: There is a difference between the returns generated by the funds

3rd set of hypothesis:

H_o: There is no difference between the risks associated with the funds

H_1: There is a difference between the risks associated with the funds

Final set:

H_o: All the funds are having equal ranks.

H_1: All the funds aren't having equal ranks.

6. RESEARCH METHODOLOGY

The research design used here is purely descriptive. The data entirely replies upon secondary data collected from websites textbooks and online journals. Exchange Traded Funds traded in Indian Stock Exchanges constitute the sampling population. Descriptive Statistics and Independent T Test are used. PSPP Software is also made use of. Samples are collected by following the simple random sampling technique.

7. SCOPE OF THE STUDY

Birla Sun Life Nifty Exchange Traded Fund, Kotak PSU Bank ETF, Quantum Index Fund, ICICI SENSEX Prudential ETF, R*Shares Banking ETF and Invesco India INVESCO Nifty ETF represents EQUITY Exchange Traded Funds. Gold Exchange Traded Funds; Birla Sun Life Nifty Exchange Traded Fund, Kotak Gold Exchange Traded Fund, Reliance Gold Exchange Traded Fund Invesco India Gold Exchange Traded Fund, Quantum Gold Fund and ICICI Prudential Gold Exchange Traded Fund are included here. These Exchange Traded Funds are introduced by the fund houses namely Birla Sun Life, Kotak, Reliance, Invesco India, Quantum and ICICI.

8. DATA ANALYSIS AND INTERPRETATIONS

The part is divided into three sections

1. Performance evaluation of exchange traded funds and gold exchange traded funds of the same fund houses. This is done using an z(t) test
2. Overall Risk returns comparison of all the funds computed using Anova
3. Selection of the best fund. This is done after looking into 1and 2 points.

8.1. Performance evaluation

TABLE 3: BIRLA SUN LIFE

ETFs	Mean	Std. Deviation	P Value	
			Levene's Test Equality of Variances	Equality of Means
Nifty ETF	10	14	0.539	0.529
Life Gold ETF	5	13		

Source: Secondary Data

Interpretation

There is no difference between the performance of Exchange Traded Funds of Birla Sun Life.

H_1: There is difference between the performance of Exchange Traded Funds of Birla Sun Life.

At the 5 percent level of significance, it is seen that the p value corresponding to Levine's Test for Equality of Variances is 0.539. It is greater than 0.05.So equal variances are assumed. It is true there is no such difference between the standard deviations of both the funds. P value corresponding to t-test for Equality of Means is.529.It is greater than 0.05.So null hypothesis can be accepted. There is no difference between the performance Exchange Traded Funds of Birla Sun Life. However it is also noted that more returns can be generated when more risks are taken. Risk taking ones can select Nifty ETF others can option for Gold ETF. Birla Sun Life Nifty ETFs persuade people to make investments whenever they are optimistic or when are having enough money with them, while investments are made in the other when the gold market is deteriorating.

TABLE 4: ICICI PRUDENTIAL

ETFs	Mean	Std. Deviation	P Value	
			Levene's Test Equality of Variances	Equality of Means
SENSEX Prudential ETF	5	2	0.053	0.839
Prudential Gold ETF	6	14		

Source: Secondary Data

Interpretation

H_o: There is no difference between the performance of Exchange Traded Funds of ICICI Prudential.

H_1: There is difference between the performance of Exchange Traded Funds of ICICI Prudential.

At 5 percent level of significance, it is seen that the p value corresponding to Levine's Test for Equality of Variances is 0.053. It is equal to 0.05(approximately).So equal variances are not assumed. This is further substantiated by the standard deviations. P value corresponding to t-test for Equality of Means is 0.839. It is greater than 0.05. So null hypothesis can be accepted. There is no difference between the performance of Equity and Gold Exchange Traded Funds of ICICI Prudential. More risks imply more return and vice versa. In that sense the former is better. The ability of the investors to devise proper hedging strategies to gain more returns made its status better and the inability lead to the poor performance of Gold ETF.

TABLE 5: KOTAK

ETFs	Mean	Std. Deviation	P Value	
			Levene's Test Equality of Variances	Equality of Means
PSU Bank ETF	-3	26	0.146	0.525
Gold ETF	6	16		

Source: Secondary Data

Interpretation

H_o: There is no difference between the performance of Exchange Traded Funds of Kotak.

H_1: There is difference between the performance of Exchange Traded Funds of Kotak.

At 5 percent level of significance, it is seen that the p value corresponding to Levene's Test for Equality of Variances is 0.146.It is greater than 0.05. So equal variances are assumed. P value corresponding to t-test for Equality of Means is 0.525. It is greater than 0.05. So null hypothesis can be accepted. There is no much difference between the performance Exchange Traded Funds of Kotak. The returns of PSU Bank ETF are negative, this is because of the effect of demonetization in India and the reason for more returns of Gold ETF is because of making proper investment when the gold prices are rocketing. Demonetarization affected PSU Bank funds of Kotak very badly.

TABLE 6: QUANTUM

ETFs	Mean	Std. Deviation	P Value	
			Levene's Test Equality of Variances	Equality of Means
Index Fund	9	16	0.778	0.642
Gold Fund	5	16		

Source: Secondary Data

Interpretation

H_0: There is no difference between the performance of Exchange Traded Funds of Quantum.

H_1: There is difference between the performance of Exchange Traded Funds Quantum.

At 5 percent level of significance, it is seen that the p value corresponding to Levene's Test for Equality of Variances is.778.It is greater than 0.05. So equal variances are assumed. P value corresponding to t-test for Equality of Means is.642. It is greater than 0.05. So null hypothesis can be accepted. There is no difference between the performance of Equity and Gold Exchange Traded Funds of Quantum. Quantum Index fund is a fund which possess 100 % dedication towards investors, investor protection and experienced managers. Demonization is a boon as well as a curse. In terms of gold funds of quantum it is curse. The anxiety, pressure etc. on the minds of customers about cash (shortage/ability) resulted in less return. The risk of both the funds is 16.

TABLE 7: RELIANCE

ETFs	Mean	Std. Deviation	P Value	
			Levene's Test Equality of Variances	Equality of Means
Banking ETF	11	21	. 503	. 503
Gold ETF	7	16		

Source: Secondary Data

Interpretation

H_0: There is no difference between the performance of Equity and Gold Exchange Traded Funds of Reliance.

H_1: There is difference between the performance of Exchange Traded Funds of Reliance.

At 5 percent level of significance, it is seen that the p value corresponding to Levene's Test for Equality of Variances is 0.503.It is greater than 0.05. So equal variances are assumed. P value corresponding to t-test for Equality of Means is 0.503. It is greater than 0.05. So null hypothesis can be accepted. There is no difference between the performance of Equity and Gold Exchange Traded Funds of Reliance. There is no much difference between the returns and standard deviations. Both the funds are equally good. Those who aren't risk averse can choose Banking ETF. The positive effects of demonetization is reflected here.Apart from the latter e marketing strategies and other investment promotional strategies(in terms of ETF) can also be regarded as other causes for the remarkable performance of the fund house.

TABLE 8: INVESCO INDIA

ETFs	Mean	Std. Deviation	P value	
			Levene's Test Equality of Variances	Equality of Means
Invesco India Nifty ETF	14	19	. 542	.
Invesco India Gold ETF	5	15		0.46

Source: Secondary Data

Interpretation

H_0: There is no difference between the performance Exchange Traded Funds of Invesco India.

H_1: There is difference between the performance of Exchange Traded Funds of Invesco India

At 5 percent level of significance, it is seen that the p value corresponding to Levene's Test for Equality of Variances is 0.542.It is greater than 0.05. So equal variances are assumed. P value corresponding to t-test for Equality of Means is 0.460. It is greater than 0.05. So null hypothesis can be accepted. There is no difference between the performance Exchange Traded Funds of Invesco India. When risk increases returns also increase, when risk decreases, returns also decrease. The miraculous performance of Invesco India Nifty ETF may be because of sowing and reckoning and implementing only the positive aspects of demonetization.

8.2. Risk return comparison

TABLE 9: OVERALL RETURNS AND RISK PATTERN

	Sig.
Returns	0.525
Standard Deviations	0

Source: Secondary Data

Interpretation

H_0: There is no difference between the return and risk pattern generated by the funds

H_1: There is a difference between the return and risk pattern generated by the funds

By checking table 8.7 it is assumed that p value corresponding to returns,.525 is greater than level of significance (5 %). So the conclusion can be that in terms of returns alone all the funds are equally performing. This may because of the ability of the funds to track the movements of underlying asset. However, in terms of risks, the p value is less than 0.05, i.e. the funds are having different standard deviations.Different funds have different risk patterns. In terms of financial context, when risks are more profits are also more and vice versa. H_o is rejected and H_1 is accepted. This fact pave way for the final outcome that there is a difference between the return and risk pattern generated by the funds. Demonetization and the anxiety, pressure created in the mindset of the mob may be the key reason for the same.

8.3. Selection of the best fund

TABLE 10: A FEW SELECTED FUNDS

Funds	Returns	Risks
Birla Sun Life Nifty ETF	10	14
Quantum Index Fund	9	16
Invesco India Nifty ETF	14	19
R*Shares Banking ETF	11	21

Source: Secondary Data

Interpretation

From the study, the top four funds founded out are shown in table 8.8. Standard deviations and returns are somewhat similar. So these four can be summarized as the best among others. The investments in gold exchange traded funds are not up to the level. Demonetarization, frequent fluctuations in the gold prices etc. created havoc situations.

9. FINDINGS

1. To compare the performance of Equity Exchange Traded Funds and Gold Exchange Traded Funds launched by the same Fund Houses

There is no much difference between the performance of Equity and Gold Exchange Traded Funds of Birla Sun Life., Kotak, Quantum and ICICI, Reliance and Religare. The reason for the same depends mainly upon fund managers and current Indian economy. Other reasons are quoted in the appropriate places. In terms of returns alone all the funds are equally performing. This may because of the ability of the funds to track the movements of underlying asset However, in terms of risks, the p value of the funds generated using the software is less than 0.05, so the conclusion is that the funds are having different standard deviation. Different funds have different risk patterns. In terms of financial context, when risks are more profits are also more and vice versa. This fact pave way for the final outcome that there is a difference between the return and risk pattern generated by the funds. Demonetization and the anxiety, pressure created in the mindset of the mob may be the key reason for the same.

2. To study the risk associated with the funds

The standard deviations of exchange traded funds and gold funds of the fund house are also approximately same, except ICICI. The underlying asset of ICICI Exchanged traded fund is S&P BS SENSEX. Because of demonetization, the value of the index increased hence the fund is having less standard deviation in comparison with its gold funds. The following indicates the riskier funds in order Kotak PSU Bank ETF, R*Shares Banking ETF, Invesco India Nifty ETF, Kotak Gold ETF, Quantum Index Fund , Quantum Gold Fund , Reliance Gold ETF, Invesco India Gold ETF, Birla Sun Life Nifty ETF, ICICI Prudential Gold ETF, Birla Sun Life Gold ETF and ICICI SENSEX Prudential ETF. The most risky fund is Kotak PSU Bank ETF and the least is ICICI SENSEX Prudential ETF

3. To identify the best fund(s) in terms of risks and returns

Birla Sun Life Nifty ETF, Quantum Index Fund, Invesco India Nifty ETF and R*Shares Banking ETF are the best funds identified after preparing the current study. Standard deviations and returns are somewhat similar

10. SUGGESTIONS

1. Adequate customization facilities should be launched. Special care and attention should be given to small scale sector.
2. More people especially poor and rural should be able aware about the importance of Exchange Traded Funds. They can seek the guidance of experienced and renowned individuals, textbooks, magazines etc.
3. Pros of implementing demonetization should be well communicated among the mob.
4. Regulatory authorities like Securities and Exchange Board of India should make more investor friendly norms.

11. CONCLUSION

Exchange Traded Funds are showing good performance. They generate maximum returns in comparison with the gold exchange traded funds. Equity Exchange Traded Funds aim to track the performance of benchmark index.The idea of the later is to replicate the performance of physical gold. These two schemes are very much essential for the small scale investors. They should act wisely before proceeding to reap the benefits in future. Stock market officials, brokers or other intermediaries and investors should be sincere while exercising their rights. They are not supposed to make use of any unethical practices. The present study highlights that there is no much difference between the performance of Exchange Traded Funds of the selected fund houses. The most risky fund is Kotak PSU Bank ETF and the least is ICICI SENSEX Prudential ETF. Birla Sun Life Nifty ETF, Quantum Index Fund, Invesco India Nifty ETF and R*Shares Banking ETF are the best funds. The study also identified the fact that demonetization is both a boon and a curse (mainly for gold funds).The present study can also pave way for future researches.

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