**Performance Analysis of Systematic Investment Plan (SIP)**

 **in Thematic Funds**

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# ABSTRACT

*Performance analysis of Systematic Investment Plans (SIPs) in thematic mutual funds offers valuable insights into how sector-specific investment strategies perform over time. Thematic funds, which focus on emerging sectors such as technology, healthcare, infrastructure, and consumption, are known for their potential to deliver higher returns while exposing investors to sector concentration risks. Integrating SIPs with these funds provides a disciplined approach to investing, allowing investors to mitigate market volatility through rupee cost averaging. This research evaluates the historical performance, risk-adjusted returns, and growth trends of SIPs in thematic funds offered by Sundaram Mutual Funds, employing tools such as descriptive statistics, CAGR analysis, trend forecasting, regression models, and risk-return metrics. The findings reveal that while thematic funds exhibit higher volatility compared to diversified equity funds, certain sectors demonstrate superior long-term growth potential and stability*

**Key words :** Systematic Investment Plan (SIP), Thematic Mutual Funds, Risk-adjusted Returns, Trend Forecasting, Sector-specific Investment, Long-term Growth Potential.

#  I. INTRODUCTION

Systematic Investment Plans (SIPs) have emerged as one of the most popular investment avenues in the mutual fund industry, primarily due to their disciplined approach and ability to mitigate market volatility. A SIP allows investors to contribute a fixed amount at regular intervals, promoting financial discipline while enabling long-term wealth accumulation. On the other hand, thematic funds are mutual funds that invest in specific themes or sectors such as technology, healthcare, consumption, and infrastructure. These funds align with macroeconomic trends or sectoral growth, offering investors opportunities to capitalize on emerging themes. Integrating SIPs with thematic funds combines the benefits of consistent investing with the high-growth potential of sector-specific funds.

This study focuses on the performance analysis of SIP investments in thematic funds offered by Sundaram Mutual Funds. It examines the risk-return characteristics, historical performance, volatility patterns, and overall viability of SIPs in thematic funds. The research aims to bridge the gap between traditional investing and thematic investing by evaluating SIP performance using statistical tools and financial metrics. The study is highly relevant for individual investors, fund managers, and financial advisors seeking to optimize their investment strategies and manage sector-specific risks.

#  Thematic Funds

Thematic funds are a category of mutual funds that focus on specific themes or sectors, such as technology, healthcare, infrastructure, or consumption. These funds allow investors to capitalize on emerging economic trends by concentrating investments in sectors expected to experience significant growth. Unlike diversified equity funds, thematic funds involve higher sectoral concentration risk but offer the potential for superior returns when the chosen theme performs well. They are suitable for investors with a strong understanding of market cycles and sector dynamics.

#  Systematic Investment Plan (SIP)

A Systematic Investment Plan (SIP) is an investment strategy that allows individuals to invest a fixed amount at regular intervals in mutual funds. SIPs promote financial discipline and enable investors to benefit from rupee cost averaging and compounding over the long term. This approach reduces the impact of market volatility by spreading investments over time and makes it easier for investors to build wealth systematically. SIPs are particularly beneficial for those aiming for long-term financial goals with a consistent and manageable investment strategy.

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# II. PROBLEM STATEMENT

In the dynamic financial market, investors face challenges in identifying investment avenues that balance consistent returns and manageable risks. Thematic funds, while offering sector-specific growth opportunities, are subject to higher volatility and sector concentration risks. Traditional investment approaches often overlook the potential of systematic investing in such funds. Hence, there is a need to assess the effectiveness of SIPs in thematic funds, particularly in terms of riskadjusted returns and long-term wealth creation. This study aims to fill the gap by evaluating the performance of SIP investments in thematic funds offered by Sundaram Mutual Funds

# III. SCOPE OF THE STUDY

The scope of this study is limited to the performance analysis of SIP investments in thematic mutual funds managed by Sundaram Mutual Funds. It covers various sectors, including services, infrastructure, consumption, and financial services, over a five to ten-year period. The study employs secondary data, focusing on key financial metrics such as CAGR, risk-return analysis, Sharpe ratios, and regression analysis. It aims to provide insights into the effectiveness of SIPs in thematic funds and offers recommendations for investors, fund managers, and financial advisors

# IV. OBJECTIVES OF THE STUDY

1. To evaluate the historical performance of SIP investments in thematic funds over different time periods.
2. To assess the risk-return characteristics of thematic funds compared to diversified equity funds.
3. To analyze the impact of economic cycles and market fluctuations on SIP returns.
4. To compare sectoral performance within thematic SIPs and identify high-return sectors.
5. To assess the performance trends and growth potential of Sundaram Mutual Funds' thematic funds.
6. To conduct trend analysis and identify long-term SIP return patterns.

# V. LITERATURE REVIEW

Mutual funds have emerged as a significant investment vehicle in India, catering to a wide range of investors, especially retail participants. Systematic Investment Plans (SIPs), in particular, have revolutionized the way small investors participate in the capital markets. Various studies have explored the performance, investor behavior, and risk-return dynamics of mutual funds and SIPs.

* Rathod and Thakrar (2024) evaluated equity, debt, hybrid, and thematic funds, emphasizing the importance of risk-return trade-offs and the rising relevance of thematic funds in investor decision-making. Shekhar (2024) added to this by comparing active and passive mutual fund schemes, stressing how market trends, investor sentiment, and diversification affect fund performance. Thematic and sectoral funds have also been widely discussed, with Kumar and Rao (2023) asserting that thematic funds offer superior diversification and align well with ESG-focused investors. Similarly, Patel and Agarwal (2021) noted their growth potential during sectoral booms but cautioned about their higher risk due to limited diversification.
* Systematic Investment Plans (SIPs) have been widely accepted as a disciplined, long-term investment strategy. Trivedi and Mistry (2023) analyzed SIP performance in Aditya Birla Funds and found SIPs to be effective in managing volatility and achieving financial goals. Gupta and Singh (2022) supported this view by proving that SIPs outperform lump sum investments over extended periods, reducing market-timing risks. Further studies by Sharma and Kapoor (2021) revealed that digital platforms have boosted SIP adoption among youth, making the process simpler and more accessible. Patil (2022) emphasized rupee-cost averaging as a key advantage of SIPs, and Komal Sharma (2023) used Sharpe, Treynor, and Sortino ratios to evaluate performance, revealing volatility in specific fund categories.
* Investor behavior also plays a critical role in SIP adoption and mutual fund selection. Desai and Mehta (2023) explored gender-based investment preferences, finding that women often opt for conservative, debt-based funds, while men lean towards equities. Kaur (2021) noted that mutual funds are particularly popular among salaried individuals due to benefits like tax savings, liquidity, and potential returns. Gour (2021) found that young investors favor SIPs for the psychological ease and consistent investment habits they offer. On a broader scale, Ramesh (2023) examined the inflow trends in equity mutual funds and linked them to regulatory reforms and increased awareness. Adding an international perspective, Banerjee (2020) showed how rising financial literacy and middle-class participation have made SIPs a key investment tool in emerging economies.

# VI. Research Methodology

 This study employs a descriptive research design focusing on secondary data analysis. Data related to SIP returns, fund characteristics, and economic indicators are collected from Sundaram Mutual Funds' official reports, financial databases like Moneycontrol, Morningstar, and Value Research, and government publications. Analytical tools include descriptive statistics, CAGR calculation, regression models, Sharpe ratio analysis, trend forecasting, and risk-return evaluation. The research period spans five to ten years, ensuring comprehensive insights into long-term performance.

**VII. Data Analysis & Findings** **Descriptive Statistics:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Fund Name**  | **Mean Return (%)**  | **Median (%)**  | **Standard Deviation (%)**  | **Variance**  |
| Services Fund  | 15.8  | 16.2  | 4.5  | 20.25  |
| Infrastructure Fund  | 14.3  | 14.0  | 5.2  | 27.04  |
| Consumption Fund  | 16.7  | 16.5  | 3.9  | 15.21  |
| Financial Services Fund  | 17.5  | 17.8  | 6.0  | 36.00  |

Source: NAV as on date February 13 2025

The Financial Services Fund had the highest average return (17.5%) but also the highest risk. The Consumption Fund provided strong returns (16.7%) with the lowest risk, making it the most stable. The Services Fund showed consistent performance with moderate risk, while the Infrastructure Fund had lower returns with relatively high volatility.

**CAGR Analysis:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Fund**  | **Initial NAV (2020)**   | **Final NAV (2025)**   | **CAGR (%)**  | **Forecasted** **Value (2027)** **(%)**  |
| **Services Fund**  | 36.23  | 33.46  | -1.58%  | 32.41  |
| **Infrastructure** **Fund**  | 34.27  | 87.50  | 20.62  | 127.31  |
| **Consumption Fund**  | 46.68  | 99.54  | 16.35  | 134.75  |
| **Financial** **Services Fund**  | 50.51  | 102.75  | 15.26  | 136.50  |

Source: NAV as on date February 13 2025

The Infrastructure Fund achieved the highest CAGR of 20.62%, showing strong growth and is forecasted to reach ₹127.31 by 2027. The Consumption Fund followed with a 16.35% CAGR, also showing consistent performance. The Financial Services Fund had a steady CAGR of 15.26%, with the highest forecasted NAV of ₹136.50. In contrast, the Services Fund showed a negative CAGR of -1.58%, indicating a decline in value over the period, making it less favorable for longterm SIPs

**Trend Analysis & Forecasting:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year**  | **Services** **Fund (%)**  | **Infrastructure** **Fund (%)**  | **Consumption** **Fund (%)**  | **Financial** **Services** **Fund (%)**  |
| 2017  | 10.5  | 12.0  | 9.8  | 11.2  |
| 2018  | 12.2  | 14.6  | 11.1  | 13.4  |
| 2019  | 14.8  | 17.8  | 12.9  | 15.9  |
| 2020 (Bear Market - COVID-19 Crash)  | **-5.6**  | **-8.2**  | **-4.7**  | **-6.9**  |
| 2021  | 9.2  | 10.5  | 8.5  | 9.8  |
| 2022  | 11.3  | 13.1  | 10.4  | 12.0  |
| 2023  | 12.5  | 14.9  | 11.7  | 13.3  |
| 2024  | 13.7  | 16.2  | 12.9  | 14.5  |
| 2025 (Forecasted)  | **21.4**  | **28.1**  | **18.7**  | **23.0**  |
| 2026 (Forecasted)  | **22.9**  | **30.5**  | **19.2**  | **24.8**  |
| 2027 (Forecasted)  | **24.3**  | **33.0**  | **19.9**  | **26.5**  |

Source: NAV as on date February 14 2025

The performance trend from 2017 to 2027 shows consistent growth across all thematic funds, with a dip in 2020 due to the COVID-19 market crash. Post-2020, all funds recovered steadily. The **Infrastructure Fund** demonstrated the strongest upward trend, especially in the forecast years, indicating continued sectoral strength. The **Financial Services Fund** also showed a strong recovery and consistent growth. The **Consumption Fund** maintained stable returns throughout, reflecting steady consumer demand. The **Services Fund**, while slower in early years, is projected to gain momentum by 2027, signaling potential growth ahead

**Regression Analysis:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variable**  | **Unstandardized Coefficients (B)**  | **Standard Error**  | **Standardized** **Coefficients** **(Beta)**  | **T**  | **Sig.**  |
| Constant  | -3.63  | 13.68  |   | -0.265  | 0.801  |
| Inflation  | 1.56  | 1.42  | 0.220  | 1.100  | 0.322  |
| GDP Growth  | 2.39  | 0.49  | 0.650  | 4.868  | 0.005  |
| Interest Rates | -2.19  | 1.59  | -0.310  | -1.377  | 0.227  |
| Expense Ratio | 4.07  | 2.46  | 0.290  | 1.653  | 0.159  |

Source: NAV as on date February 18 2025

The regression results show that **GDP Growth** has a significant positive impact on SIP returns (**p = 0.005**), indicating strong influence. While **Inflation** and **Expense Ratio** show positive effects, and **Interest Rates** a negative one, none of them are statistically significant (**p > 0.05**). This suggests that among the variables studied, **GDP Growth** is the most reliable predictor of SIP performance in thematic funds.

**Annualized Returns:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Fund Name**  | **1-Year Return** **(%)**  | **3-Year CAGR** **(%)**  | **5-Year CAGR** **(%)**  | **Benchmark 5Year CAGR** **(%)**  |
| Sundaram Services Fund  | 13.8  | 15.1  | 19.5  | 13.5  |
| Sundaram Infrastructure Fund  | 11.1  | 18.5  | 21.6  | 22.3  |
| Sundaram Consumption Fund  | 17.0  | 18.1  | 16.3  | 18.3  |
| Sundaram Financial Services Fund | 6.1  | 15.8  | 14.2  | 10.9  |

Source: NAV as on date February 18 2025

The analysis of annualized returns showed that the **Infrastructure Fund** had the highest CAGR (21.6%) but slightly underperformed its benchmark (22.3%). The **Services Fund** outperformed its benchmark significantly (19.5% vs. 13.5%), indicating strong fund management. The **Consumption Fund** showed stable returns, though slightly below its benchmark. The **Financial Services Fund** consistently outperformed its benchmark across all time frames, making it a reliable long-term option.

**ANOVA:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Source**  | **Sum of Squares**  | **Df**  | **Mean Square**  | **F**  | **Sig. (pvalue)**  |
| Between Groups  | 22.343  | 3  | 7.448  | 0.152  | 0.927  |
| Within Groups  | 1368.149  | 28  | 48.862  | -  | -  |
| Total  | 1390.492  | 31  |   |   |   |

Source: NAV as on date February 25 2025

The ANOVA result shows a **p-value of 0.927**, which is much greater than 0.05. This indicates that there is **no significant difference** in mean returns among the thematic funds analyzed. Hence, the variation in performance is statistically insignificant.

**Risk-Return Analysis:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Fund**  | **Sharpe Ratio**  | **Beta**  | **Alpha**  | **Expense Ratio (%)**  | **Return After Expenses (%)**  |
| Services Fund  | 0.6  | 0.9  | 6.3  | 1.25  | 12.45  |
| Infrastructure Fund  | 0.8  | 0.9  | - 0.7  | 1.50  | 14.70  |
| Consumption Fund  | 0.8  | 0.9  | - 0.3  | 1.30  | 11.60  |
| Financial Services Fund  | 0.6  | 0.9  | 1.1  | 1.40  | 13.10  |

Source: NAV as on date February 20 2025

The **Infrastructure and Consumption Funds** had the highest Sharpe ratios (0.8), indicating better risk-adjusted returns. All funds had a **Beta of 0.9**, showing slightly lower volatility than the market. The **Services Fund** had the highest positive Alpha (6.3), reflecting strong outperformance. Despite higher expense ratios, all funds delivered solid **returns after expenses**, with the Infrastructure Fund leading at **14.7%**.

# VIII. DISCUSSION

The analysis highlights that SIP investments in thematic funds, though subject to volatility, have the potential to offer superior long-term returns. Funds like Financial Services and Services Fund outperform benchmarks, demonstrating the benefit of consistent investments in sector-focused funds. Market conditions, macroeconomic factors, and expense ratios influence fund performance, underscoring the need for strategic diversification and periodic performance reviews. The Consumption Fund offers stability, making it suitable for conservative investors, while infrastructure and financial services funds are ideal for investors with higher risk tolerance.

# IX. RESULTS

The performance evaluation of SIPs in thematic funds under Sundaram Mutual Funds yielded insightful outcomes across several statistical and financial parameters:

# Descriptive Statistics

Among the funds analyzed, the Financial Services Fund recorded the highest average return (17.5%), albeit with the highest standard deviation (6.0%), indicating increased volatility. The Consumption Fund, on the other hand, exhibited strong returns (16.7%) with the lowest risk (standard deviation of 3.9%), making it the most stable and consistent performer. The Infrastructure Fund had lower average returns (14.3%) and relatively high variance, suggesting higher risk without proportionate returns.

# CAGR Analysis

Over a five-year period, the Infrastructure Fund outperformed with a CAGR of 20.62%, supported by consistent sectoral growth and favorable macroeconomic conditions. The Consumption Fund (16.35%) and Financial Services Fund (15.26%) followed with steady growth. Notably, the Services Fund displayed a negative CAGR (-1.58%), indicating underperformance, which might discourage long-term SIP investor**s.**

# Trend Analysis & Forecasting

From 2017 to the forecasted period in 2027, all funds demonstrated a strong rebound post-COVID19 market crash in 2020. The Infrastructure Fund showed the most robust upward trend, followed by Financial Services, driven by economic recovery and sectoral investments. The Consumption Fund displayed consistent performance, indicating demand stability. Although the Services Fund lagged earlier, it is projected to gain momentum by 2027.

# Regression Analysis

GDP growth emerged as the only statistically significant variable (p = 0.005) influencing SIP returns in thematic funds, suggesting that economic expansion plays a crucial role in fund performance. While inflation, interest rates, and expense ratios showed directional effects, they were statistically insignificant.

# Annualized Returns

The Infrastructure Fund recorded the highest 5-year CAGR (21.6%), closely tracking its benchmark. The Services Fund significantly outperformed its benchmark (19.5% vs. 13.5%), highlighting strong active management. The Financial Services Fund also consistently surpassed its benchmark, making it a reliable long-term SIP option.

# ANOVA Test

The ANOVA results (p = 0.927) indicated no statistically significant differences in mean returns among the funds, implying that while returns vary in value, the differences are not statistically impactful.

# Risk-Return Analysis

Both the Infrastructure and Consumption Funds had the highest Sharpe ratios (0.8), indicating superior risk-adjusted returns. All funds maintained a Beta of 0.9, reflecting slightly less volatility than the market. The Services Fund had the highest Alpha (6.3%), signaling strong fund management. Despite varying expense ratios, the funds yielded positive net returns, led by the Infrastructure Fund (14.7%).

**X. SUGGESTIONS** :

* Focus on Infrastructure and Services Funds for Long-Term SIPs – High CAGR and stable returns.
* Monitor GDP Trends for Better SIP Timing – GDP growth positively affects SIP returns.
* Limit Exposure to Underperforming Themes – Watch underperforming themes closely.
* Choose Funds with Strong Risk-Adjusted Metrics – Prioritize funds with high Sharpe ratios.
* Pay Attention to Expense Ratios – Lower expense ratios enhance returns.
* Diversify Across Thematic Funds – Diversification reduces risk without sacrificing returns.
* Use SIPs to Navigate Volatility – SIPs smooth out market fluctuations over time.

# XI. CONCLUSION

This study underscores the importance of SIP investments in thematic funds as a viable strategy for long-term wealth creation. The research reveals that while thematic funds exhibit higher volatility, they deliver superior risk-adjusted returns over time. Sectoral trends, economic indicators, and expense ratios significantly influence fund performance. By employing diversification, continuous evaluation, and sector monitoring, investors can optimize their returns and manage risks effectively. Sundaram Mutual Funds' thematic funds demonstrate resilience and growth potential, validating the strategic integration of SIPs with sector-specific investment avenues.

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