



MUTUAL FUND INVESTMENT STRATEGY – THE SUCCESS OF HDFC MUTUAL FUND

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HDFC Mutual Fund, a part of HDFC Asset Management Company (AMC), was established in 2000. As one of the leading mutual fund houses in India, it has built a strong reputation for its ability to generate returns for investors across different market cycles. By 2020, HDFC Mutual Fund had become one of the largest mutual fund houses in India, with a diversified portfolio that includes equity, debt, hybrid, and sectoral funds. The Indian mutual fund industry experienced significant growth between 2015 and 2020, driven by increasing investor awareness, the rise of digital platforms, and the introduction of systematic investment plans (SIPs) that made investing more accessible to the average retail investor. During this period, mutual funds, particularly equity-oriented schemes, gained immense popularity as a means of wealth creation, particularly for long-term goals like retirement and children's education.

HDFC Mutual Fund's success can largely be attributed to its strong fund management strategies. The fund house adopted a well-researched and disciplined approach to investing. It focused on creating diversified portfolios across sectors, reducing risk, and delivering consistent returns. The fund management team at HDFC Mutual Fund placed significant emphasis on both top-down and bottom-up research, which helped in identifying high-potential stocks and bonds while managing risk effectively.

For example, in equity funds, HDFC Mutual Fund invested heavily in sectors that were poised for growth, such as information technology, pharmaceuticals, and financial services. Additionally, they strategically rebalanced portfolios based on market conditions, ensuring that investors were always exposed to the best-performing sectors.

Another key strategy was the promotion of SIPs as an investment tool. SIPs allowed investors to invest in mutual funds regularly, which reduced the impact of market volatility and averaged the cost of investments. This strategy helped attract retail investors who were looking for disciplined and hassle-free ways to invest. Over time, SIPs gained significant traction in the Indian market, with HDFC Mutual



Fund leveraging its brand recognition to encourage first-time investors.

Between 2015 and 2020, the SIP contribution to HDFC Mutual Fund's AUM grew significantly, as many investors opted for this systematic and disciplined approach to wealth accumulation. In 2020, the total SIP inflows into HDFC Mutual Fund reached billions of rupees, making it one of the largest mutual fund houses in terms of SIP collections.

As part of its efforts to attract the younger, tech-savvy demographic, HDFC Mutual Fund embraced digital platforms to engage investors. The firm developed a user-friendly website and mobile app that allowed investors to track their portfolios, invest in funds, and manage their investments on the go. Additionally, the company focused on enhancing investor education through webinars, online tutorials, and blogs.

Through these digital initiatives, HDFC Mutual Fund managed to reach a wider audience, particularly millennials, who were increasingly turning to online channels for financial services. The use of technology made it easier for investors to access information and take informed decisions, improving their overall investing experience.

To cater to the diverse needs of its investors, HDFC Mutual Fund introduced a wide range of investment products. These included equity funds, debt funds, hybrid funds, and sector-specific funds. For example, they launched funds focused on emerging sectors like infrastructure, consumption, and healthcare, which provided investors with exposure to high-growth industries.

The introduction of such funds allowed investors to align their investments with their risk appetite, investment goals, and market outlook. Furthermore, the fund house continued to monitor the performance of these funds, making necessary adjustments to keep them competitive in the evolving market environment. The Indian stock market is known for its volatility, and mutual funds, especially equity-oriented funds, are highly susceptible to market swings. Between 2015 and 2020, there were several market corrections due to both domestic and global economic factors, such as the economic slowdown in India, global trade tensions, and the COVID-19 pandemic. These events led to temporary dips in the performance of HDFC Mutual Fund's equity funds. However, the fund house's disciplined approach to portfolio management helped it navigate these



turbulent times, and most of its funds recovered quickly when the markets stabilized. The mutual fund industry in India became highly competitive during this period, with several new fund houses entering the market and existing ones offering a wide range of products. Additionally, the popularity of exchange-traded funds (ETFs) started to rise, providing investors with low-cost alternatives to traditional mutual funds. HDFC Mutual Fund had to differentiate itself by maintaining its high standards of fund management, providing superior customer service, and expanding its product offerings. The mutual fund industry in India is highly regulated, and the Securities and Exchange Board of India (SEBI) periodically implements new policies and guidelines. For example, SEBI introduced regulations related to expense ratios and commission structures for mutual funds, which impacted the revenue model of many fund houses. HDFC Mutual Fund had to adjust its business model to comply with these changes while continuing to deliver value to investors. Between 2015 and 2020, HDFC Mutual Fund continued to grow and solidify its position as one of India's leading asset management companies. The fund house's AUM increased significantly

during this period, fueled by consistent returns from its equity funds, the success of its SIP campaigns, and the strong brand equity of HDFC. By 2020, the company had launched several new funds and garnered a significant share of the retail investor market.

The company's consistent performance during periods of market volatility and its ability to launch innovative products tailored to investor needs also contributed to its success. HDFC Mutual Fund was able to maintain investor confidence, even during challenging market conditions, and its customer-centric approach earned it widespread trust.

QUESTION:

1. How did HDFC Mutual Fund manage to sustain its growth despite challenges like market volatility and regulatory changes?
2. In what ways did the rise of SIPs contribute to HDFC Mutual Fund's success from 2015 to 2020?
3. How important was digital transformation for HDFC Mutual Fund's expansion during this period?



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