

Optimizing Wealth Creation: A deep dive into Bharti Axa's ULIP portfolio and an attempt to understand the Investment Dynamics.

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ABSTRACT: This report provides an in-depth analysis of Bharti AXA's ULIP portfolio, focusing on investment dynamics and wealth optimization strategies. It evaluates both qualitative and quantitative factors, using the company's investment strategy as a benchmark. The study aims to develop a personalized investment approach and a replica portfolio aligned with market conditions and individual financial goals. Key considerations include fund manager reputation, performance consistency, historical returns, volatility, and risk-adjusted metrics. The research paper also assesses the asset allocation and fund selection strategies to identify potential improvements. A mixed-method approach is employed, integrating data analysis with qualitative research. Sources include academic studies, industry reports, and empirical research to provide a comprehensive understanding of ULIP investments. The findings offer valuable insights for investors, financial advisors, and industry professionals, equipping them with the knowledge to make informed decisions and optimize long-term wealth creation through ULIP investments.

KEY WORDS : *ULIP , Investment strategy, Wealth optimization, Quantitative factors, Qualitative factors, Benchmarking, Personalized investment approach, Market conditions, Financial goals, Fund manager reputation, Performance consistency, Historical returns, Volatility, Asset allocation, Fund selection, Data analysis, Qualitative research, Academic studies, Industry reports, Empirical research, Long-term wealth creation, Financial advisors, Investment decisions, Market dynamics.*

1. INTRODUCTION

Unit-Linked Insurance Plans are hybrid financial products that combine life insurance with market-linked investments. When purchasing a ULIP, a portion of the premium goes toward life insurance coverage, while the remainder is invested in equity, debt, or balanced funds. For example, if you invest ₹10,000 in a ULIP, around ₹500 may be allocated to insurance, while ₹9,500 is invested in funds of your choice. The investment value fluctuates based on market performance, offering both growth potential and risks. ULIPs provide flexibility in investment choices, insurance protection, and the potential for higher returns compared to traditional insurance plans. However, they are subject to market risks and require careful consideration before investing. Over the years, ULIPs have gained popularity due to their dual benefits of protection and wealth creation.

Bharti AXA, a leading insurance provider in India, offers a range of ULIP products catering to different risk appetites and financial objectives. However, with evolving market conditions, regulatory changes, and growing investment complexity, understanding ULIPs has become crucial. This report aims to bridge the knowledge gap by analysing Bharti AXA's ULIP portfolio, investment strategies, and market adaptation. By providing insights into fund allocation, portfolio management, and performance drivers, this study equips investors with the necessary tools to make informed investment decisions.

2. LITERATURE REVIEW

- 1) Tripathi, V. (2008). Investment strategies in Indian stock market: A survey. Available at SSRN 1134668. Indian investors use both fundamental and technical analysis, recognizing company fundamentals' influence on stock prices. Investment strategies have shifted from purely technical to a combined fundamental and technical approach in the past five years. Shorter investment horizons are now preferred due to increased market volatility.
- 2) Ashraf, S., & Baig, M. A. (2015). Investment and trading strategies in Indian stock market. *International Journal of Arts and Commerce*, 4(3), 1-15. According to this study, the debt-to-equity ratio and beta are important variables in trading and investing strategies for the Indian stock market. While short-term trading favours high-beta, high debt-equity stocks, long-term investments in low-beta, low debt-equity stocks yield higher returns. When compared to average stocks, the financial services industry exhibits higher short-term returns but lower long-term returns.
- 3) Kumar, P., & Aneja, H. (2017). Performance Evaluation of Mutual Funds and Unit Linked Insurance Plans in India: An Empirical Study of Equity-Based Funds. *International Journal of Emerging Trends in Science and Technology*, IJETST-04 (08), 5779-5798. Mutual funds and ULIPs are now common investment vehicles in India due to the country's booming stock market, which has been stimulated by economic growth and liberalisation. According to this study, which used a variety of performance metrics to compare Indian equity mutual funds and ULIPs from 2008 to 2016, mutual funds performed better than ULIPs. Comparing the performance of these two investment options in the Indian market is a first for this study.
- 4) Chew, J. H., & Ng, C. B. (2021, March). Determination of Rolling Returns from the Performance Chart of Mutual Funds. In 2021 IEEE 17th International Colloquium on Signal Processing & Its Applications (CSPA) (pp. 76-80). IEEE. The performance chart and returns table are available from the factsheet of the fund, which can be used to evaluate the performance of the fund. However, the rolling returns, which is not given, may be a better indicator of the fund's long-term performance consistency.

3. OBJECTIVES

- 1) **To gain an in-depth understanding of the decision-making process while making investment decisions.**
By looking at several important factors, this objective seeks to understand how investments are made, especially for ULIPs. These consist of market analysis, time horizon, behavioural finance, and return expectations. Lastly, the goal highlights how crucial diversification concepts are to risk management.
- 2) **To familiarize yourself with both qualitative and quantitative parameters to take into consideration.**
This objective focuses on both quantitative and qualitative investment analysis. Quantitatively, it covers performance metrics (P/E, P/B, dividend yield, ROE, debt-to-equity, EPS, alpha, Sharpe ratio, PEG) and risk measures (standard deviation, beta, Sharpe ratio, Treynor ratio, Sortino ratio), emphasizing the importance of comparison, using multiple metrics and considering qualitative factors. It also addresses expense ratios.

Qualitatively, it highlights fund manager expertise, company reputation, investment strategy, and transparency as crucial evaluation criteria.

3) **To consider the company's investment strategy as a benchmark and attempt to build and optimize a personal strategy that best aligns with the market conditions.**

The objective is to create a customised investment strategy by utilising Bharti AXA's investment strategy as a standard. This includes reviewing Bharti AXA's approach, assessing how well it fits the state of the market, and setting up systems for monitoring the customised strategy's effectiveness. The overall goal of the paper is to enlighten readers about investments so they may make wise choices and maximise their own tactics.

4. LIMITATIONS

- 1) Data Interpretation is only limited to my understanding of the gathered information.
- 2) Dependence on the secondary data is high, which may affect the validity of the data.
- 3) The time of this study is relatively short considering the scope.
- 4) While stock markets being very volatile and massively depending on public sentiment, retail investor would have to make certain changes and then take decisions rather than relying on the given data solely.

5. RESEARCH METHODOLOGY

The research methodology employed in this study is designed to provide a comprehensive and nuanced understanding of Bharti AXA's ULIP portfolio particularly GROWTH OPPORTUNITIES FUND of Bharti Axa Life Insurance.

Quantitative Analysis: The quantitative component of our research methodology involves a detailed analysis of financial data, market trends, and performance metrics related to Bharti AXA's ULIP portfolio. This approach allows us to objectively measure and compare various aspects of ULIP performance and market behavior.

6. DATA ANALYSIS AND INTERPRETATION

Bharti Axa Growth Opportunities Fund.

- The Fund Manager of this Fund is Kartik Soral. Kartik Soral graduated from IIM Ahmedabad and is a senior Fund Manager at Bharti Axa life insurance. Other Related Funds managed by him are Growth Opportunities Plus, Growth Opportunities Pension, Growth Opportunities Pension Plus, Emerging Equity Fund.

Fund Performance:

- 1 Month: 3.98%
- 1 Year: 36.46%
- 3 Year: 20.33%
- Since Inception: 17.84%

Asset Allocation:

- Equity: 98.81%
- Money Market/Cash: 1.19%

Sectoral and Stock Selection:

1. Financial and Insurance Activities (28.13%):
 - This is the largest sector allocation.
 - Key holdings include HDFC Bank Ltd (8.07%) and ICICI Bank Ltd (6.73%), which are among the top 3 holdings of the fund.
2. Manufacturing of Motor Vehicles, Trailers and Semi-Trailers (6.53%):
 - TATA Motors Ltd (2.24%) is specifically mentioned in this sector.
3. Computer Programming, Consultancy and Related Activities (6.16%):
 - Infosys Technologies Ltd (3.68%) is a notable holding in this sector.
4. Manufacturing Coke and Refined Petroleum Products (5.77%):
 - Reliance Industries Ltd (5.77%) is likely the main holding in this sector.
5. Manufacture of Basic Metals (4.38%):
 - TATA Steel Ltd (2.23%) is mentioned as part of the fund's holdings.
6. Manufacturing Electrical Equipment (4.33%).
7. Manufacturing Pharmaceuticals, Medicinal Chemical and Botanical Products (3.56%).
8. Manufacturing of Other Transport Equipment (3.23%).
9. Civil Engineering (3.06%):
 - Larsen & Toubro Ltd (3.06%) is likely the main holding in this sector.
10. Manufacturing of Chemicals and Chemical Products (2.88%):

Other notable holdings and some key points in the statement are :

- State Bank of India Ltd (3.64%)
- Bharti Airtel Ltd (3.18%)
- NTPC Ltd (2.16%)
- 58.04% of the fund's equity holdings are categorized as "Others", which suggests a diverse range of smaller holdings across various companies and potentially additional sectors not explicitly listed.
- The fund maintains a small cash position (1.19%) for liquidity purposes(which is an assumption based on my understanding).
- This allocation demonstrates a diversified approach across various sectors of the Indian economy, with a significant tilt towards financial services and a mix of established large-cap companies and growth-oriented sectors.

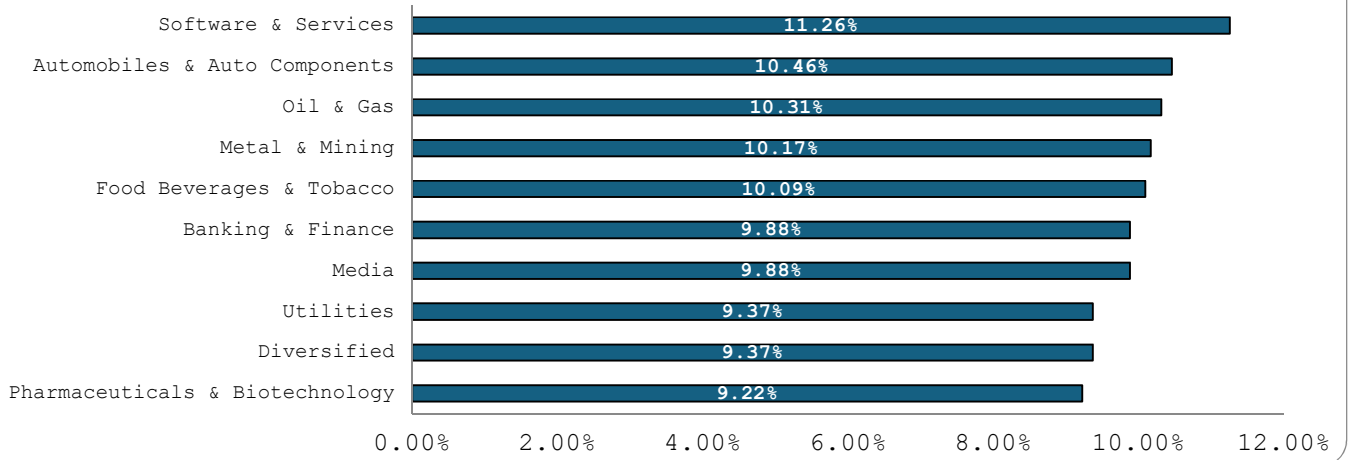
- Total AUM: ₹4751.89 Lakhs
- Benchmark: Nifty 500.

An attempt to create a Replica of Growth Opportunities Fund:

- First, I selected 24 sectors and gave them 8 parameters as a criterion of selection.
- These 8 parameters included: - P/e ratio, P/b ratio, ROE, ROCE, ROA, Dividend Yield %, NP Growth Annual YOY% and Market Cap.
- Then I Ranked all the sectors by getting a summation of all the points given based on the sector's performance.
- Then I selected the top 10 Ranked sectors out of 24.
- Then weightage and the amount allocation to a particular sector was decided according to the ranks (bigger the rank more the weightage).

TOP 10 Sectors	Points	Rank	Weightage	Amount Allocation
Software & Services	1550	1	11.26%	₹ 11,25,63,543.94
Automobiles & Auto Components	1440	2	10.46%	₹ 10,45,75,163.40
Oil & Gas	1420	3	10.31%	₹ 10,31,22,730.57
Metal & Mining	1400	4	10.17%	₹ 10,16,70,297.75
Food Beverages & Tobacco	1390	5	10.09%	₹ 10,09,44,081.34
Banking & Finance	1360	6	9.88%	₹ 9,87,65,432.10
Media	1360	7	9.88%	₹ 9,87,65,432.10
Utilities	1290	8	9.37%	₹ 9,36,81,917.21
Diversified	1290	9	9.37%	₹ 9,36,81,917.21
Pharmaceuticals & Biotechnology	1270	10	9.22%	₹ 9,22,29,484.39
TOTAL : -	13770		100.00%	₹ 1,00,00,00,000

Sectoral Allocation



Sectors	Selected Company	POINTS	Weights	Amount Allocated for Investment	Ticker	CMP
Software & Services	TCS	380.00	2.38%	23763414.83	NSE:TCS	3789.85
	Infosys	430.00	2.69%	26890179.94	NSE:INFY	1516.1
112563543.9	HCL Technologies	420.00	2.63%	26264826.92	NSE:HCLTECH	1445
	Wipro Ltd	280.00	1.75%	17509884.61	NSE:WIPRO	491
	Zomato Ltd	290.00	1.81%	18135237.63	NSE:ZOMATO	196.69
		1,800.00				
Automobiles & Auto Components	Maruti Suzuki India Ltd.	320.00	1.86%	18591140.16	NSE:MARUTI	12160
	Mahindra & Mahindra Ltd.	340.00	1.98%	19753086.42	NSE:M&M	2874.05
	Tata Motors Ltd.	510.00	2.96%	29629629.63	NSE:TATAMOTORS	979.1
	Bajaj Auto Ltd.	340.00	1.98%	19753086.42	NSE:BAJAJ-AUTO	9626.55
	Eicher Motors Ltd.	290.00	1.68%	16848220.77	NSE:EICHERMOT	4895
		1,800.00				
Oil & Gas	Reliance Industries Ltd.	340.00	1.95%	19478738	NSE:RELIANCE	2949
	Oil & Natural Gas Ltd.	300.00	1.72%	17187121.76	NSE:ONGC	272.2
	Indian Oil CoporationLtd	300.00	1.72%	17187121.76	NSE:IOC	169.05
	Bharat Petroleum Corporation Ltd.	430.00	2.46%	24634874.53	NSE:BPCL	627
	Hindustan Petroleum Corporation Ltd.	430.00	2.46%	24634874.53	NSE:HINDPETRO	525.6
	1,800.00					
Metal & Mining	Hindustan ZincLtd.	410.00	2.32%	23158234.49	NSE:HINDZINC	647
	Coal India Ltd.	360.00	2.03%	20334059.55	NSE:COALINDIA	483.5
	JSWSteel Ltd.	410.00	2.32%	23158234.49	NSE:JSWSTEEL	932
	Tata Steel Ltd.	340.00	1.92%	19204389.57	NSE:TATASTEEL	182.75
	Vedanta Ltd.	280.00	1.58%	15815379.65	NSE:VEDL	470.95
	1,800.00					
Food Beverages & Tobacco	ITC Ltd.	380.00	2.13%	21310417.17	NSE:ITC	423.85
	Varun Beverages Ltd.	480.00	2.69%	26918421.69	NSE:VBL	1613.75
	Tata Consumer Products Ltd.	360.00	2.02%	20188816.27	NSE:TATACONSUM	1103.05
100944081.3	United Spirits Ltd.	370.00	2.07%	20749616.72	NSE:UNITDSPR	1266.15
	United BreweriesLtd.	210.00	1.18%	11776809.49	NSE:UBL	2090
	1,800.00					

Banking & Finance	HDFC Bank Ltd.	280.00	1.54%	15363511.66	NSE:HDFCBANK	1667.25
	ICICI Bank Ltd.	440.00	2.41%	24142661.18	NSE:ICICIBANK	1156.6
98765432.1	State Bank of India	390.00	2.14%	21399176.95	NSE:SBIN	844.9
	Bajaj Finance Ltd.	310.00	1.70%	17009602.19	NSE:BAJFINANCE	7215
	Axis Bank Ltd.	380.00	2.09%	20850480.11	NSE:AXISBANK	1238
		1,800.00				
Media	Sun TV Network Ltd.	430.00	2.36%	23593964.33	NSE:SUNTV	771
98765432.1	Zee Entertainment Enterprises Ltd.	310.00	1.70%	17009602.19	NSE:ZEEL	155.37
	PVRINOX Ltd.	300.00	1.65%	16460905.35	NSE:PVRINOX	1385
	Saregama India Ltd.	370.00	2.03%	20301783.26	NSE:SAREGAMA	558
	Network18 Media & Investments Ltd.	390.00	2.14%	21399176.95	NSE:NETWORK18	83.72
		1,800.00				
Utilities	NTPC Ltd	240.00	1.67%	16654563.06	NSE:NTPC	358.75
	Power Grid Corporation of India Ltd	270.00	1.87%	18736383.44	NSE:POWERGRID	325.4
93681917.21	Adani Power Ltd.	400.00	2.78%	27757605.1	NSE:ADANIPOWER	741.5
	Adani Green Energy Ltd.	200.00	1.39%	13878802.55	NSE:ADANIGREEN	1808.9
	Gail Ltd	240.00	1.67%	16654563.06	NSE:GAIL	219.25
		1,350.00				
Diversified	Bajaj Finserv Ltd.	310.00	1.60%	16044969.25	NSE:BAJAJFINSV	1587.5
	Bajaj Holdings & Investment Ltd.	520.00	2.69%	26914141.96	NSE:BAJAJHLDNG	8204.6
93681917.21	Aditya Birla Capital Ltd.	370	1.92%	19150447.16	NSE:ABCAPITAL	243.5
	L&T Finance Ltd.	270	1.40%	13974650.63	NSE:LTF	183.75
	Tata Investment Corporation Ltd.	340	1.76%	17597708.21	NSE:TATAINVEST	6690
		1,810.00				
Pharmaceuticals & Biotechnology	Sun Pharmaceutical Industries Ltd.	340.00	1.74%	17421124.83	NSE:SUNPHARMA	1477
	Cipla Ltd.	350.00	1.79%	17933510.85	NSE:CIPLA	1545.45
	Div's Laboratories Ltd.	290.00	1.49%	14859194.71	NSE:DIVISLAB	4505
92229484.39	Zydus Lifesciences Ltd.	480.00	2.46%	24594529.17	NSE:ZYDUSLIFE	1088.1
	Dr. Reddy's Laboratories Ltd.	340.00	1.74%	17421124.83	NSE:DRREDDY	5980.95
		1,800.00				
TOTAL :-			100.00%	₹1,00,00,00,000.00		

Key insights from the data:

Growth Opportunities Fund Performance

- 1) **Benchmark Comparison:** Over the past five years, Bharti AXA's ULIPs have generally performed well against industry benchmarks. Equity-oriented funds have shown returns ranging from 8% to 12% annualized, which is competitive with broader market indices.
- 2) **Consistency:** The analysis shows that while there have been periods of underperformance in some funds, overall, Bharti AXA's ULIPs have maintained consistent performance over the long term.
- 3) **Fund-specific Performance:** Equity funds, particularly those focused on large-cap stocks, have been the best performers in the portfolio.
- 4) **Expense Ratio:** The expense ratios of Bharti AXA's ULIPs are found to be competitive with industry standards, which positively impacts the net returns to policyholders.
- 5) **Risk Management:** The company's focus on risk management through dynamic asset allocation and diversification has contributed to the portfolio's resilience.
- 6) **Long-term Focus:** The emphasis on long-term investing aligns well with the nature of ULIPs as long-term savings and investment products.

A replica of Growth Opportunities Fund Performance

Sector	Company Name	Return for 1 week	Return for 2 week	Return for 3 week	Return for 1 month
Software & Services	Infosys	-0.17%	0.58%	2.89%	3.25%
Automobiles & Auto Components	Tata Motors Ltd.	-5.56%	-6.39%	-6.76%	-7.67%
Oil & Gas	Bharat Petroleum Corporation Ltd.	-0.55%	5.53%	5.94%	-4.28%
Metal & Mining	Hindustan Zinc Ltd.	24.74%	59.68%	54.29%	48.15%
Food Beverages & Tobacco	Varun Beverages Ltd.	-1.98%	0.29%	-2.46%	-0.51%
Banking & Finance	ICICI Bank Ltd.	-1.60%	-2.21%	-1.69%	-3.13%
Media	Sun TV Network Ltd.	2.59%	2.20%	1.16%	10.07%
Utilities	Adani Power Ltd.	0.99%	15.45%	15.25%	27.21%
Diversified	Bajaj Holdings & Investment Ltd.	2.68%	-0.48%	-4.08%	-0.68%
Pharmaceuticals & Biotechnology	Zydus Lifesciences Ltd.	-2.77%	6.62%	3.15%	2.38%
Total	Average	1.84%	8.13%	6.77%	7.48%

- The fund is fully invested in equities with no allocation to debt or cash.
- 74.18% of the fund is invested in companies other than the top 10 holdings listed, indicating a well-diversified portfolio.
- This fund demonstrates a balanced approach across various sectors of the Indian economy, with a slight tilt towards technology, automobiles, and energy sectors. The portfolio includes a mix of established large-cap companies and growth-oriented mid-cap firms, aiming to capitalize on different segments of the Indian market for long-term capital appreciation.

Growth Opportunities Fund

Investment Objective: To provide long term capital appreciation by investing across a diversified high quality equity portfolio.

Fund Performance %

	1 Week	2 Week	3 Week	1 month	Since Inception
Fund	1.84	8.13	6.77	7.48	
Benchmark	-	-	-	-	

Security Name	% to Fund
Equities	100
Infosys	2.69
Tata Motors Ltd.	2.96
Bharat Petroleum Corporation Ltd	2.46
Hindustan Zinc Ltd	2.32
Varun Beverages Ltd	2.69
ICICI Bank Ltd	2.41
Sun Tv Network Ltd	2.36
Adani Power Ltd	2.78
Bajaj Holdings & Investment Ltd	2.69
Zydus Lifesciences Ltd	2.46
Others	74.18
Total	100

Asset Class wise Exposure

Asset class	AUM(in Rs. CR)	Exposure (%)
Equity	100	100
Govt. Securities	-	-
Corporate Bonds	-	-
Money Market/Cash	-	-
Total	100	100

Asset Allocation (%)

Instrument	Asset Mix	Actual
Equity	100	100
Govt. Securities	-	-
Money Market/Cash	-	-

SECTORAL ALLOCATION



7. RECOMMENDATIONS AND SUGGESTIONS

- 1) Portfolio Diversification:
 - Balanced asset allocation (equity, debt, hybrid).
 - Higher equity allocation (60-70%) for long-term, high-risk tolerance investors.
 - Diversified sector allocation, potentially overweighting high-potential sectors.
- 2) Fund Selection:
 - Risk-based fund selection aligned with individual tolerance.
 - Prioritize funds with consistent performance across market cycles.
 - Consider fund manager expertise.
- 3) Rebalancing Strategy:
 - Regular (semi-annual/annual) portfolio reviews.

4) Education & Communication:

- Regular market analyses and investment perspectives for policyholders.
- Online/in-person investment workshops on ULIPs, market dynamics, and strategies.

5) Product Innovation:

- Goal-based ULIPs for specific financial objectives (e.g., retirement, education).
- Sustainable investing options (ESG-focused funds).

8. CONCLUSION

- By implementing these recommendations, investors can work towards optimizing their wealth creation. The key is to develop a personalized investment strategy that aligns with individual financial objectives, risk tolerance, and market outlook. Regular review and adjustment of the strategy considering changing personal circumstances and market conditions are crucial for long-term success.
- It's important to note that while these recommendations provide a framework for optimizing ULIP investments, individual investors should consult with financial advisors to tailor these suggestions to their specific situations. The dynamic nature of financial markets and personal circumstances necessitates an adaptive and personalized approach to ULIP investment management.

9. REFERENCES

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